
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 29, 2015

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Texas Roadhouse, Inc.

(Exact name of registrant specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

000-50972
(Commission File Number)

20-1083890
(IRS Employer
Identification Number)

6040 Dutchmans Lane
Louisville, Kentucky 40205
(Address of principal executive offices) (Zip Code)

(502) 426-9984
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.001 per share	Nasdaq Global Select Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒.

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K. ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last day of the second fiscal quarter ended June 30, 2015 was \$2,383,696,151 based on the closing stock price of \$37.09. Shares of voting stock held by each officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes. The market value calculation was determined using the closing stock price of our common stock on the Nasdaq Global Select Market.

The number of shares of common stock outstanding were 70,089,368 on February 17, 2016.

Portions of the registrant's definitive Proxy Statement for the registrant's 2016 Annual Meeting of Stockholders, which is expected to be filed pursuant to Regulation 14A within 120 days of the registrant's fiscal year ended December 29, 2015, are incorporated by reference into Part III of the Form 10-K. With the exception of the portions of the Proxy Statement expressly incorporated by reference, such document shall not be deemed filed with this Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains statements about future events and expectations that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on our beliefs, assumptions and expectations of our future financial and operating performance and growth plans, taking into account the information currently available to us. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements. In addition to the other factors discussed under "Risk Factors" elsewhere in this report, factors that could contribute to these differences include, but are not limited to:

- our ability to raise capital in the future;
- our ability to successfully execute our growth strategy;
- our ability to successfully open new restaurants, acquire franchise restaurants or execute other strategic transactions;
- our ability to increase and/or maintain sales and profits at our existing restaurants;
- our ability to integrate the franchise or other restaurants which we acquire or develop;
- the continued service of key management personnel;
- health concerns about our food products;
- our ability to attract, motivate and retain qualified employees;
- the impact of federal, state or local government laws and regulations relating to our employees or production and the sale of food and alcoholic beverages;
- the impact of litigation, including negative publicity;
- the cost of our principal food products;
- labor shortages or increased labor costs, such as health care, market wage levels and workers' compensation insurance costs;
- inflationary increases in the costs of construction and/or real estate;
- changes in consumer preferences and demographic trends;
- the impact of initiatives by competitors and increased competition generally;
- our ability to successfully expand into new domestic and international markets;
- risks associated with partnering in markets with franchisees or other investment partners with whom we have no prior history and whose interests may not align with ours;
- risks associated with developing new restaurant concepts and our ability to open new concepts;
- security breaches of confidential customer information in connection with our electronic processing of credit and debit card transactions or the failure of our information technology systems;
- the rate of growth of general and administrative expenses associated with building a strengthened corporate infrastructure to support our growth initiatives;
- negative publicity regarding food safety, health concerns and other food or beverage related matters, including the integrity of our or our suppliers' food processing;

- our franchisees' adherence to our practices, policies and procedures;
- potential fluctuation in our quarterly operating results due to seasonality and other factors;
- supply and delivery shortages or interruptions;
- our ability to adequately protect our intellectual property;
- volatility of actuarially determined insurance losses and loss estimates;
- adoption of new, or changes in existing, accounting policies and practices;
- adverse weather conditions which impact guest traffic at our restaurants; and
- unfavorable general economic conditions in the markets in which we operate that adversely affect consumer spending.

The words

"believe," "may," "should," "anticipate," "estimate," "expect," "intend," "objective," "seek," "plan," "strive," "goal," "projects," "forecasts," "will" or similar words or, in each case, their negative or other variations or comparable terminology, identify forward-looking statements. We qualify any forward-looking statements entirely by these cautionary factors.

Other risks, uncertainties and factors, including those discussed under "Risk Factors," could cause our actual results to differ materially from those projected in any forward-looking statements we make.

We assume no obligation to publicly update or revise these forward-looking statements for any reason, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

PART I

ITEM 1—BUSINESS

Texas Roadhouse, Inc. (the "Company") was incorporated under the laws of the state of Delaware in 2004. The principal executive office is located in Louisville, Kentucky.

General Development of Business

Texas Roadhouse, Inc. is a growing restaurant company operating predominately in the casual dining segment. Our founder, chairman and chief executive officer ("CEO"), W. Kent Taylor, started the business in 1993 with the opening of the first Texas Roadhouse restaurant in Clarksville, Indiana. Since then, we have grown to 483 restaurants in 49 states and four foreign countries. Our mission statement is "Legendary Food, Legendary Service®." Our operating strategy is designed to position each of our restaurants as the local hometown favorite for a broad segment of consumers seeking high quality, affordable meals served with friendly, attentive service. As of December 29, 2015, we owned and operated 401 restaurants and franchised an additional 82 restaurants.

Financial Information about Operating Segments

We consider our restaurant and franchising operations as similar and have aggregated them into a single reportable segment. The majority of the restaurants operate in the U.S. within the casual dining segment of the restaurant industry, providing similar products to similar customers, and possessing similar pricing structures, resulting in similar long-term expected financial performance characteristics. Each of our 401 company-owned restaurants is considered an operating segment.

Narrative Description of Business

Of the 401 restaurants we owned and operated at the end of 2015, we operated 392 as Texas Roadhouse restaurants and seven as Bubba's 33 restaurants. In addition, we operated two restaurants outside of the casual dining segment. In 2016, we plan to open approximately 30 company restaurants. While the majority of our restaurant growth in 2016 will be Texas Roadhouse restaurants, we currently expect to open approximately seven Bubba's 33 restaurants. Throughout this report, we use the term "restaurants" to include Texas Roadhouse and Bubba's 33, unless otherwise noted.

Texas Roadhouse is a moderately priced, full-service, casual dining restaurant concept offering an assortment of specially seasoned and aged steaks hand-cut daily on the premises and cooked to order over open grills. In addition to steaks, we also offer our guests a selection of ribs, fish, seafood, chicken, pork chops, pulled pork and vegetable plates, and an assortment of hamburgers, salads and sandwiches. The majority of our entrées include two made-from-scratch side items, and we offer all our guests a free unlimited supply of roasted in-shell peanuts and fresh baked yeast rolls.

Bubba's 33 is a family-friendly sports restaurant offering an assortment of wings, sandwiches, pizza and burgers including our signature 33% bacon grind patty. In addition, we also offer our guests a selection of chicken, beef, fish and seafood. Bubba's 33 also offers an extensive selection of draft beer. Our first Bubba's 33 restaurant opened in May 2013.

The operating strategy that underlies the growth of our concepts is built on the following key components:

- *Offering high quality, freshly prepared food.* We place a great deal of emphasis on providing our guests with high quality, freshly prepared food. At our Texas Roadhouse restaurants, we hand-cut all but one of our assortment of steaks and make our sides from scratch. At our Bubba's 33 restaurants, we make our sides and bake our buns from scratch. As part of our process, we have developed proprietary recipes to provide consistency in quality and taste throughout all restaurants. We expect a management level employee to inspect every entrée before it leaves the kitchen to confirm it matches the guest's order and meets our standards for quality, appearance and presentation. In addition, we employ a team of product coaches whose function is to provide continual, hands-on training and education to our kitchen staff for the purpose of promoting consistent adherence to recipes, food preparation procedures, food safety standards, food appearance, freshness and portion size.
- *Offering performance-based manager compensation.* We offer a performance-based compensation program to our individual restaurant managers and multi-restaurant operators, who are called "managing partners" and

"market partners," respectively. Each of these partners earns a base salary plus a performance bonus, which represents a percentage of each of their respective restaurant's pre-tax net income. By providing our partners with a significant stake in the success of our restaurants, we believe that we are able to attract and retain talented, experienced and highly motivated managing and market partners.

- *Focusing on dinner.* In a high percentage of our restaurants, we limit our operating hours to dinner only during the weekdays with approximately one half of our restaurants offering lunch on Friday. By focusing on dinner, our restaurant teams have to prepare for and manage only one shift per day during the week. We believe this allows our restaurant teams to offer higher quality, more consistent food and service to our guests. In addition, we believe the dinner focus provides a better "quality-of-life" for our management teams and, therefore, is a key ingredient in attracting and retaining talented and experienced management personnel. We also focus on keeping our table-to-server ratios low to allow our servers to truly focus on their guests and serve their needs in a personal, individualized manner.
- *Offering attractive price points.* We offer our food and beverages at moderate price points that we believe are as low as or lower than those offered by many of our competitors. Within each menu category, we offer a choice of several price points with the goal of fulfilling each guest's budget and value expectations. For example, at our Texas Roadhouse restaurants, our steak entrées, which include the choice of two side items, generally range from \$9.99 for our 6-ounce Sirloin to \$26.99 for our 23-ounce Porterhouse T-Bone. The per guest average check for the Texas Roadhouse restaurants we owned and operated in 2015 was \$16.31. Per guest average check represents restaurant sales divided by the number of guests served. We consider each sale of an entrée to be a single guest served. Our per guest average check is higher as a result of our weekday dinner only focus. At our Bubba's 33 restaurants, our entrees range from \$7.99 for a turkey burger to \$19.99 for our 14-ounce ribeye.
- *Creating a fun and comfortable atmosphere.* We believe the atmosphere we establish in our restaurants is a key component for fostering repeat business. Our Texas Roadhouse restaurants feature a rustic southwestern lodge décor accentuated with hand-painted murals, neon signs, and southwestern prints, rugs and artifacts. Additionally, we offer jukeboxes, which continuously play upbeat country hits. Our Bubba's 33 restaurants feature walls lined with televisions playing sports events and are decorated with sports jerseys, neon signs and other local flair.

Unit Prototype and Economics

We design our restaurant prototypes to provide a relaxed atmosphere for our guests, while also focusing on restaurant-level returns over time. Our current prototypical Texas Roadhouse restaurants consist of a freestanding building with approximately 6,700 to 7,500 square feet of space constructed on sites of approximately 1.7 to 2.0 acres or retail pad sites, with seating of approximately 57 to 68 tables for a total of 245 to 329 guests, including 15 bar seats, and parking for approximately 160 vehicles either on-site or in combination with some form of off-site cross parking arrangement. Our current prototypes are adaptable to in-line and end-cap locations and/or spaces within an enclosed mall or a shopping center. Our prototypical Bubba's 33 restaurant remains under development as we continue to open additional restaurants. We expect most Bubba's 33 restaurants to range between 7,700 and 8,900 square feet depending on location.

As of December 29, 2015, we leased 271 properties and owned 130 properties. Our 2015 average unit volume for all Texas Roadhouse company restaurants open before July 1, 2014 was \$4.7 million. The time required for a new Texas Roadhouse restaurant to reach a steady level of cash flow is approximately three to six months. For 2015, the average capital investment, including pre-opening costs, for the 24 Texas Roadhouse company restaurants opened during the year was \$4.7 million, broken down as follows:

	Average Cost	Low	High
Land(1)	\$1,225,000	\$ 725,000	\$2,205,000
Building(2)	1,725,000	1,365,000	2,150,000
Furniture and Equipment	1,100,000	1,010,000	1,165,000
Pre-opening costs	600,000	410,000	1,085,000
Other(3)	50,000	—	440,000
Total	<u>\$4,700,000</u>		

-
- (1) Represents the average cost for land acquisitions or 10x's initial base rent in the event the land is leased.
 - (2) Includes site work costs.
 - (3) Primarily liquor licensing costs, where applicable. This cost varies based on the licensing requirements in each state.

Our average capital investment in 2014 and 2013 was \$5.1 million and \$4.1 million, respectively. The increase in our 2014 average capital investment was primarily due to higher building costs at certain locations, such as Anchorage, Alaska and the New York, New York vicinity, along with higher pre-opening costs due to unexpected delays in restaurant openings throughout the year. We expect our average capital investment for Texas Roadhouse restaurants opened in 2016 to be approximately \$4.8 million.

For 2015, the average capital investment, including pre-opening costs, for the four Bubba's 33 company restaurants opened during the year was \$6.0 million. We expect our average capital investment for Bubba's 33 restaurants opened in 2016 to be approximately \$5.7 million to \$6.0 million.

Our capital investment (including cash and non-cash costs) for new restaurants varies significantly depending on a number of factors including, but not limited to: the square footage, layout, scope of any required site work, type of construction labor (union or non-union), local permitting requirements, our ability to negotiate with landowners and/or landlords, cost of liquor and other licenses and hook-up fees and geographical location.

Site Selection

We continue to refine our site selection process. In analyzing each prospective site, our real estate team, including our restaurant market partners, devotes significant time and resources to the evaluation of local market demographics, population density, household income levels and site-specific characteristics such as visibility, accessibility, traffic generators, proximity of other retail activities, traffic counts and parking. We work actively with real estate brokers in target markets to select high quality sites and to maintain and regularly update our database of potential sites. We typically require three to six months to locate, approve and control a restaurant site and typically six to 12 additional months to obtain necessary permits. Upon receipt of permits, it requires approximately four to five months to construct, equip and open a restaurant.

Existing Restaurant Locations

As of December 29, 2015, we had 401 company restaurants and 82 franchise restaurants in 49 states and four foreign countries as shown in the chart below.

	Number of Restaurants		
	Company	Franchise	Total
Alabama	8	—	8
Alaska	2	—	2
Arizona	15	—	15
Arkansas	3	—	3
California	3	6	9
Colorado	15	1	16
Connecticut	4	—	4
Delaware	2	2	4
Florida	20	4	24
Georgia	5	7	12
Idaho	5	—	5
Illinois	15	—	15
Indiana	17	8	25
Iowa	9	—	9
Kansas	3	1	4
Kentucky	11	2	13
Louisiana	9	1	10
Maine	3	—	3
Maryland	5	6	11
Massachusetts	8	1	9
Michigan	11	3	14
Minnesota	4	—	4
Mississippi	1	—	1
Missouri	11	—	11
Montana	—	1	1
Nebraska	3	1	4
Nevada	1	—	1
New Hampshire	3	—	3
New Jersey	6	—	6
New Mexico	4	—	4
New York	14	—	14
North Carolina	17	—	17
North Dakota	2	1	3
Ohio	26	2	28
Oklahoma	6	—	6
Oregon	2	—	2
Pennsylvania	20	6	26
Rhode Island	3	—	3
South Carolina	2	6	8
South Dakota	2	—	2
Tennessee	11	2	13
Texas	54	5	59
Utah	9	1	10
Vermont	1	—	1
Virginia	12	—	12
Washington	1	—	1
West Virginia	1	2	3
Wisconsin	10	3	13
Wyoming	2	—	2
Total domestic restaurants	401	72	473
United Arab Emirates	—	4	4
Saudi Arabia	—	1	1
Kuwait	—	3	3
Taiwan	—	2	2
Total international restaurants	—	10	10
Total system-wide restaurants	401	82	483

Food

Menu. Our restaurants offer a wide variety of menu items at attractive prices that are designed to appeal to a broad range of consumer tastes. At Texas Roadhouse restaurants, our dinner entrée prices generally range from \$8.99 to \$26.99. We offer a broad assortment of specially seasoned and aged steaks, all cooked over open grills and all but one hand-cut daily on the premises. We also offer our guests a selection of ribs, fish, seafood, chicken, pork chops, pulled pork and vegetable plates, and an assortment of hamburgers, salads and sandwiches. Entrée prices include unlimited peanuts, fresh baked yeast rolls and most include the choice of two made-from-scratch sides. Other menu items include specialty appetizers such as the "Cactus Blossom®". We also provide a "12 & Under" menu for children that includes a selection of smaller-sized entrées served with one side item and a beverage at prices generally between \$3.99 and \$8.99. At Bubba's 33 restaurants, our menu prices, excluding appetizers, generally range from \$5.99 to \$19.99. We offer a broad assortment of wings, sandwiches, pizzas and burgers, including our signature 33% bacon grind patty. In addition, we also offer our guests a selection of chicken, beef, fish and seafood. Bubba's 33 also offers an extensive selection of draft beer. We provide a "12 & Under" menu for children at Bubba's 33 that includes a selection of items, including a beverage, at prices generally between \$3.99 and \$5.99.

Most of our restaurants feature a full bar that offers an extensive selection of draft and bottled beer, major brands of liquor and wine as well as margaritas. Managing partners are encouraged to tailor their beer selection to include regional and local brands. Alcoholic beverages at our Texas Roadhouse restaurants accounted for approximately 11% of restaurant sales in fiscal 2015.

We strive to maintain a consistent menu at our restaurants over time. We continually review our menu to consider enhancements to existing menu items or the introduction of new items. We change our menu only after guest feedback and an extensive study of the operational and economic implications. To maintain our high levels of food quality and service, we generally remove one menu item for every new menu item introduced so as to facilitate our ability to execute high quality meals on a focused range of menu items.

Food Quality and Safety. We are committed to serving a varied menu of high-quality, great tasting food items with an emphasis on freshness. We have developed proprietary recipes to promote consistency in quality and taste throughout all restaurants and provide a unique flavor experience to our guests. At each Texas Roadhouse restaurant, a trained meat cutter hand cuts our steaks and other restaurant team members prepare our side items and yeast rolls from scratch in the restaurants daily. At both Texas Roadhouse and Bubba's 33, we assign individual kitchen employees to the preparation of designated food items in order to focus on quality, consistency, speed and food safety. Additionally, we expect a management level employee to inspect every entrée before it leaves the kitchen to confirm it matches the guest's order and meets our standards for quality, appearance and presentation.

We employ a team of product coaches whose function is to provide continual, hands-on training and education to the kitchen staff in our restaurants for the purpose of reinforcing food quality, recipe consistency, food preparation procedures, food safety and sanitation standards, food appearance, freshness and portion size. The team currently consists of over 45 product coaches, supporting substantially all restaurants system-wide.

Food safety is of utmost importance to us. We currently utilize several programs to help facilitate adherence to proper food preparation procedures and food safety standards including our daily Taste and Temp procedures. We have a food team whose function, in conjunction with our product coaches, is to develop, enforce and maintain programs designed to promote compliance with food safety guidelines. As a requirement of our quality assurance process, primary food items purchased from qualified vendors have been inspected by reputable, outside inspection services confirming that the vendor is compliant with United States Food and Drug Administration ("FDA") and United States Department of Agriculture ("USDA") guidelines.

We perform food safety and sanitation audits on our restaurants each year and these results are reviewed by various members of operations and management. To maximize adherence to food safety protocols, we have incorporated HACCP (Hazard Analysis Critical Control Points) principles and Critical procedures (such as hand washing) in each recipe. In addition, most of our product coaches and food team members have obtained or are in the process of obtaining their Certified Professional—Food Safety designation from the National Environmental Health Association.

Purchasing. Our purchasing philosophy is designed to supply fresh, quality products to the restaurants at competitive prices while maximizing operating efficiencies. We negotiate directly with suppliers for substantially all food and beverage products to maximize quality and freshness and obtain competitive prices.

Food and supplies are ordered by and shipped directly to the domestic restaurants. Most food products used in the operation of our restaurants are distributed to individual restaurants through an independent national distribution company. We strive to qualify more than one supplier for all key food items and believe that beef of comparable quality as well as all other essential food and beverage products are available, upon short notice, from alternative qualified suppliers.

Service

Service Quality. We believe that guest satisfaction and our ability to continually evaluate and improve the guest experience at each of our restaurants is important to our success. We employ a team of service coaches whose function is to provide consistent, hands-on training and education to our service staff in our restaurants for the purpose of reinforcing service quality and consistency, staff attitude, team work and manage interaction in the dining room.

Guest Satisfaction. Through the use of guest surveys, our websites, "texasroadhouse.com" and "bubbas33.com", a toll-free guest response telephone line, social media, and personal interaction in the restaurant, we receive valuable feedback from guests. Additionally, we employ an outside service to administer a "Secret Shopper" program whereby trained individuals periodically dine and comprehensively evaluate the guest experience at each of our domestic restaurants. Particular attention is given to food, beverage and service quality, cleanliness, staff attitude and teamwork, and manager visibility and interaction. The resulting reports are used for follow up training and providing feedback to both staff and management. We continue to evaluate and implement processes relating to guest satisfaction, including reducing guest wait times and improving host interaction with the guest.

Atmosphere. The atmosphere of our restaurants is intended to appeal to broad segments of the population including children, families, couples, adults and business persons. Substantially all Texas Roadhouse restaurants are of our prototype design, reflecting a rustic southwestern lodge atmosphere, featuring an exterior of rough-hewn cedar siding and corrugated metal. The interiors feature pine floors and stained concrete and are decorated with hand-painted murals, neon signs, southwestern prints, rugs and artifacts. The restaurants contain jukeboxes that continuously play upbeat country hits. Guests may also view a display-baking area, where our fresh baked yeast rolls are prepared, and a meat cooler displaying fresh cut steaks. Guests may wait for seating in either a spacious, comfortable waiting area or a southwestern style bar. While waiting for a table, guests can enjoy complimentary roasted in-shell peanuts and upon being seated at a table, guests can enjoy fresh baked yeast rolls along with roasted in-shell peanuts. Our Bubba's 33 restaurants feature walls lined with televisions playing a variety of sports events and are decorated with sports jerseys, neon signs and other local flair.

People

Management Personnel. Each of our restaurants is generally staffed with one managing partner, one kitchen manager, one service manager and one or more additional assistant managers. Managing partners are single restaurant operators who have primary responsibility for the day-to-day operations of the entire restaurant. Kitchen managers have primary responsibility for managing operations relating to our food preparation and food quality, and service managers have primary responsibility for managing our service quality and guest experiences. The assistant managers support our kitchen and service managers; these managers are collectively responsible for the operations of the restaurant in the absence of a managing partner. All managers are responsible for maintaining our standards of quality and performance. We use market partners to oversee the operation of our restaurants. Generally, each market partner oversees up to 10 to 15 managing partners and their respective management teams. Market partners also assist with our site selection process and recruitment of new management teams. Through regular visits to the restaurants, the market partners facilitate adherence to all aspects of our concepts, strategies and standards of quality. To further facilitate adherence to our standards of quality and to maximize uniform execution throughout the system, we employ product coaches and service coaches who regularly visit the restaurants to assist in training of both new and existing employees and to grade food and service quality. The attentive service and high quality food, which results from each restaurant having a managing partner, at least two to three managers and the hands-on assistance of a product coach and a service coach, are critical to our success.

Training and Development. All restaurant employees are required to complete varying degrees of training before and during employment. Our comprehensive training program emphasizes our operating strategy, procedures and standards and is conducted individually at our restaurants and in groups in Louisville, Kentucky.

Our managing and market partners are generally required to have significant experience in the full-service restaurant industry and are generally hired at a minimum of nine to 12 months before their placement in a new or existing restaurant to allow time to fully train in all aspects of restaurant operations. All managing partners, kitchen and service managers and other management team members are required to complete an extensive training program of up to 20 weeks, which includes training for every position in the restaurant. Trainees are validated at pre-determined points during their training by the market partner, product coach and service coach.

A number of our restaurants have been certified as training centers by our training department. This certification confirms that the training center adheres to established operating procedures and guidelines. Additionally, most restaurants are staffed with training coordinators responsible for ongoing daily training needs.

For new restaurant openings, a full team of designated trainers, each specializing in a specific restaurant position, is deployed to the restaurant at least 10 days before opening. Formal employee training begins seven days before opening and follows a uniform, comprehensive training course as directed by a service coach.

Marketing

Our marketing strategy aims to promote our brands while retaining a localized focus. We strive to increase comparable restaurant sales by increasing the frequency of visits by our current guests and attracting new guests to our restaurants and also by communicating and promoting our brands' food quality, the guest experience and value. We accomplish these objectives through three major initiatives.

Local Restaurant Area Marketing. Given our strategy to be a neighborhood destination, local restaurant area marketing is integral in developing brand awareness in each market. Managing partners are encouraged to participate in creative community-based marketing. We also engage in a variety of promotional activities, such as contributing time, money and complimentary meals to charitable, civic and cultural programs. We employ marketing coordinators at the restaurant and market level to develop and execute the majority of the local marketing strategies.

In-restaurant Marketing. A significant portion of our marketing fund is spent communicating with our guests inside our restaurants through point of purchase materials. We believe special promotions such as Valentine's Day and Mother's Day drive notable repeat business. Our eight-week holiday gift card campaign is one of our most impactful promotions.

Advertising. Our restaurants do not rely on national advertising to promote the brand. Earned media on a local level is a critical part of our strategy that features our product and people. Our restaurants use a permission-based email loyalty program, as well as social media, to promote the brand and engage with our guests. Our approach to media aligns with our focus on local store marketing and community involvement.

Restaurant Franchise Arrangements

Franchise Restaurants. As of December 29, 2015, we had 22 franchisees that operated 82 Texas Roadhouse restaurants in 23 states and four foreign countries. Domestically, franchise rights are granted for specific restaurants only, as we have not granted any rights to develop a territory in the United States. We are currently not accepting new Texas Roadhouse franchisees. Approximately 75% of our franchise restaurants are operated by 10 franchisees and no franchisee operates more than 14 restaurants.

Our standard domestic franchise agreement has a term of 10 years with two renewal options for an additional five years each if certain conditions are satisfied. Our current form of domestic franchise agreement requires the franchisee to pay a royalty fee of 4.0% of gross sales. The royalty fee varies depending on when the agreements were entered into and range from 2.0% of gross sales to the current 4.0% fee. We may, at our discretion, waive or reduce the royalty fee on a temporary or permanent basis. "Gross sales" means the total selling price of all services and products related to the restaurant. Gross sales do not include:

- employee discounts or other discounts;
- tips or gratuities paid directly to employees by guests;
- any federal, state, municipal or other sales, value added or retailer's excise taxes; or

- adjustments for net returns on salable goods and discounts allowed to guests on sales.

Domestic franchisees are currently required to pay 0.3% of gross sales to a national marketing fund for the system-wide promotions and related marketing efforts. We have the ability under our agreements to increase the required marketing fund contribution up to 2.5% of gross sales. We may also charge a marketing fee of 0.5% of gross sales, which we may use for market research and to develop system-wide promotional and marketing materials. A franchisee's total required marketing contribution or spending will not be more than 3.0% of gross sales.

Our standard domestic franchise agreement gives us the right, but not the obligation, to compel a franchisee to transfer its assets to us in exchange for shares of our stock, or to convert its equity interests into shares of our stock. The amount of shares that a franchisee would receive is based on a formula that is included in the franchise agreement.

We have entered into area development agreements for the development of Texas Roadhouse restaurants in foreign countries. In 2010, we entered into an agreement for the development of Texas Roadhouse restaurants in eight countries in the Middle East over a 10 year period. In 2015, we amended our agreement in the Middle East to add one additional country to the territory. We currently have eight restaurants open in the Middle East. In addition to the Middle East, we currently have signed franchise development agreements for the development of Texas Roadhouse restaurants in Taiwan, the Philippines and Mexico. We currently have two restaurants open in Taiwan. For the existing international agreements, the franchisee is required to pay us a franchise fee for each restaurant to be opened, royalties on the gross sales of each restaurant and a development fee for our grant of development rights in the named countries. The term of the agreements may be extended. We anticipate that the specific business terms of any future franchise agreement for international restaurants might vary significantly from the standard terms of our domestic agreements and from the terms of existing international agreements, depending on the territory to be franchised and the extent of franchisor-provided services to each franchisee.

Any of our franchise agreements, whether domestic or international, may be terminated if the franchisee defaults in the performance of any of its obligations under the franchise agreement, including its obligations to operate the restaurant in strict accordance with our standards and specifications. A franchise agreement may also be terminated if a franchisee becomes insolvent, fails to make its required payments, creates a threat to the public health or safety, ceases to operate the restaurant, or misuses the Texas Roadhouse trademarks.

Franchise Compliance Assurance. We have various systems in place to promote compliance with our systems and standards, both during the development and operating of franchise restaurants. We actively work with our franchisees to support successful franchise operations as well as compliance with the Texas Roadhouse standards and procedures. During the restaurant development phase, we approve the selection of restaurant sites and make available copies of our prototype building plans to franchisees. In addition, we ensure that the building design is in compliance with our standards. We provide training to the managing partner and up to three other managers of a franchisee's first restaurant. We also provide trainers to assist in the opening of every domestic franchise restaurant; we provide trainers to assist our international franchisees in the opening of their restaurants until such time as they develop an approved restaurant opening training program. Finally, on an ongoing basis, we conduct reviews on all franchise restaurants to determine their level of effectiveness in executing our concept at a variety of operational levels. Our franchisees are required to follow the same standards and procedures regarding equipment and food purchases, preparation and safety procedures as we maintain in our company restaurants. Reviews are conducted by seasoned operations teams and focus on key areas including health, safety and execution proficiency.

Management Services. We provide management services to 24 of the franchise restaurants in which we and/or our founder have an ownership interest and six additional franchise restaurants in which neither we nor our founder have an ownership interest. Such management services include accounting, operational supervision, human resources, training, and food, beverage and equipment consulting for which we receive monthly fees of up to 2.5% of gross sales. We also make available to these restaurants certain legal services, restaurant employees and employee benefits on a pass-through cost basis. In addition, we receive a monthly fee from 15 franchise restaurants for providing payroll and accounting services.

Information Technology

All of our company-owned restaurants utilize computerized management information systems, which are designed to improve operating efficiencies, provide restaurant and Support Center management with timely access to financial and operating data and reduce administrative time and expense. With our current information systems, we have the ability to

query, report and analyze this intelligent data on a daily, weekly, period, quarterly and year-to-date basis and beyond, on a company-wide, regional or individual restaurant basis. Together, this enables us to closely monitor sales, food and beverage costs and labor and operating expenses at each of our restaurants. We have a number of systems and reports that provide comparative information that enables both restaurant and Support Center management to supervise the financial and operational performance of our restaurants and to recognize and understand trends in the business. Our accounting department uses a standard, integrated system to prepare monthly profit and loss statements, which provides a detailed analysis of sales and costs. These monthly profit and loss statements are compared both to the restaurant-prepared reports and to prior periods. Restaurant hardware and software support for all of our restaurants is provided and coordinated from the restaurant Support Center in Louisville, Kentucky. Currently, we utilize cable, digital subscriber lines (DSL) or T-1 technology at the restaurant level, which serves as a high-speed, secure communication link between the restaurants and our Support Center as well as our credit and gift card processors. We guard against business interruption by maintaining a disaster recovery plan, which includes storing critical business information off-site, testing the disaster recovery plan and providing on-site power backup.

We accept credit cards and gift cards as payment at our restaurants. We have systems and processes in place that focus on the protection of our guests' credit card information and other private information that we are required to protect, such as our employees' personal information. Our systems have been carefully designed and configured to safeguard data loss or compromise. We submit our systems to regular audit and review, including the requirements of Payment Card Industry Data Security Standards. We also periodically scan our networks to check for vulnerability.

We believe that our current systems and practice of implementing regular updates will position us well to support current needs and future growth. Information systems projects are prioritized based on strategic, financial, regulatory and other business advantage criteria.

Competition

Competition in the restaurant industry is intense. We compete with mid-priced, full-service, casual dining restaurants primarily on the basis of taste, quality and price of the food offered, service, atmosphere, location and overall dining experience. Our competitors include a large and diverse group of restaurants that range from independent local operators to well-capitalized national restaurant chains. We also face growing competition from the supermarket industry, which offers "convenient" meals in the form of improved entrees and side dishes from the deli section. In addition, improving product offerings of fast casual and quick-service restaurants, together with negative economic conditions could cause consumers to choose less expensive alternatives. Although we believe that we compete favorably with respect to each of the above factors, other restaurants and retail establishments compete for the same casual dining guests, quality site locations and restaurant-level employees as we do. We expect intense competition to continue in all of these areas.

Trademarks

Our registered trademarks and service marks include, among others, our trade names and our stylized logos. We have registered all of our significant marks with the United States Patent and Trademark Office. We have registered or have registrations pending for our most significant trademarks and service marks in 46 foreign jurisdictions including the European Union. To better protect our brand, we have also registered various Internet domain names. We believe that our trademarks, service marks and other proprietary rights have significant value and are important to our brand-building efforts and the marketing of our restaurant concepts.

Government Regulation

We are subject to a variety of federal, state and local laws affecting our businesses. Each of our restaurants is subject to permitting, licensing and regulation by a number of government authorities, which may include among others, alcoholic beverage control, health and safety, nutritional menu labeling, health care, sanitation, building and fire codes, and to compliance with the applicable zoning, land use and environmental laws and regulations. Difficulties in obtaining or failure to obtain required licenses or approvals could delay or prevent the development of a new restaurant in a particular area. Additionally, difficulties or inability to retain or renew licenses, or increased compliance costs due to changed regulations, could adversely affect operations at existing restaurants.

In 2015, the sale of alcoholic beverages at our Texas Roadhouse restaurants accounted for approximately 11% of our restaurant sales. Alcoholic beverage control regulations require each of our restaurants to apply to a state authority and, in certain locations, county or municipal authorities, for a license or permit to sell alcoholic beverages on the

premises that must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations affect numerous aspects of restaurant operations, including minimum age of patrons and employees, hours of operation, advertising, training, wholesale purchasing, inventory control and handling, storage and dispensing of alcoholic beverages. The failure of a restaurant to obtain or retain liquor or food service licenses or permits would have a material adverse effect on the restaurant's operations. To reduce this risk, each company restaurant is operated in accordance with procedures intended to facilitate compliance with applicable codes and regulations.

We are subject in certain states to "dram shop" statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Consistent with industry standards, we carry liquor liability coverage as part of our existing comprehensive general liability insurance as well as excess umbrella coverage.

Our restaurant operations are also subject to federal and state labor laws governing such matters as minimum and tip wage requirements, overtime pay, health benefits, unemployment tax rates, workers' compensation rates, citizenship requirements, working conditions, safety standards and hiring and employment practices. Significant numbers of our service, food preparation and other personnel are paid at rates related to the federal minimum wage (which currently is \$7.25 per hour) or federal minimum tipped wage (which currently is \$2.13 per hour). Our employees who receive tips as part of their compensation, such as servers, are paid at or above a minimum wage rate, after giving effect to applicable tip credits. We rely on our employees to accurately disclose the full amount of their tip income, and we base our FICA tax reporting on the disclosures provided to us by such tipped employees. Numerous states in which we operate have passed legislation governing the applicable state minimum hourly and/or tipped wage. Further planned and unplanned increases in federal and/or state minimum hourly and tipped wages or state unemployment tax rates will increase our labor costs. These increases may or may not be offset by additional menu price adjustments and/or guest traffic growth.

The Patient Protection and Affordable Care Act of 2010 (the "PPACA") includes provisions requiring all Americans to obtain health care coverage in 2015. As part of these provisions, we are required to offer health insurance benefits to some of our employees that were not previously offered coverage or pay a penalty. In 2014, we offered coverage to an expanded group of hourly employees that worked a minimum of 35 hours a week which resulted in approximately \$3.0 million in higher health care benefit costs. At the beginning of 2015, we offered coverage to an expanded group of employees, which included hourly employees that work a minimum of 30 hours per week. As a result of this change, our health care benefit costs were approximately \$4.5 million higher in 2015 compared to the prior year. We continue to assess the ongoing impact of these provisions on our health care benefit costs. While we believe that the impact of the requirement to provide more extensive health insurance benefits to employees is manageable, the requirements could have an adverse effect on our results of operations and financial position. These increases may or may not be offset by additional menu price adjustments and/or guest traffic growth.

We are subject to laws and regulations relating to the preparation and sale of food, including regulations regarding product safety, nutritional content and menu labeling. We are or may become subject to laws and regulations requiring disclosure of calorie, fat, trans-fat, salt and allergen content. The PPACA establishes a uniform, federal requirement for certain restaurants to post nutritional information on their menus, which specifically requires chain restaurants with 20 or more locations operating under the same name and offering substantially the same menus to publish the total number of calories of standard menu items on menus and menu boards, along with a statement that puts this calorie information in the context of a total daily calorie intake. The PPACA also requires covered restaurants to provide to consumers, upon request, a written summary of detailed nutritional information for each standard menu item and to provide a statement on menus and menu boards about the availability of this information. The PPACA further permits the FDA to require covered restaurants to make additional nutrient disclosures, such as disclosure of trans-fat content. The FDA released final regulations to implement the menu labeling provision of the PPACA in November 2014 with a compliance date of December 1, 2016. Compliance with current and future laws and regulations regarding the ingredients and nutritional content of our menu items may be costly and time-consuming. Additionally, if consumer health regulations or consumer eating habits change significantly, we may be required to modify or discontinue certain menu items, and we may experience higher costs associated with the implementation of those changes. In addition, we cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general.

Our facilities must comply with the applicable requirements of the Americans with Disabilities Act of 1990 ("ADA") and related state accessibility statutes. Under the ADA and related state laws, we must provide equivalent

service to disabled persons and make reasonable accommodation for their employment. In addition, when constructing or undertaking significant remodeling of our restaurants, we must make those facilities accessible.

We are subject to laws relating to information security, privacy, cashless payments and consumer credit, protection and fraud. An increasing number of governments and industry groups worldwide have established data privacy laws and standards for the protection of personal information, including social security numbers, financial information (including credit card numbers), and health information.

See Item 1A "Risk Factors" below for a discussion of risks relating to federal, state and local regulation of our business.

Seasonality

Our business is also subject to minor seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the winter months of each year. Holidays, changes in weather, severe weather and similar conditions may impact sales volumes seasonally in some operating regions. As a result, our quarterly operating results and comparable restaurant sales may fluctuate as a result of seasonality. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease.

Employees

As of December 29, 2015, we employed approximately 47,900 people in the company restaurants we own and operate and our corporate support center. This amount includes 528 executive and administrative personnel and 1,854 restaurant management personnel, while the remainder were hourly restaurant personnel. Many of our hourly restaurant employees work part-time. None of our employees are covered by a collective bargaining agreement.

Executive Officers of the Company

Set forth below are the name, age, position and a brief account of the business experience of each of our executive officers:

Name	Age	Position
W. Kent Taylor	60	Chairman and Chief Executive Officer
Scott M. Colosi	51	President and Chief Financial Officer
Celia P. Catlett	39	General Counsel and Corporate Secretary
S. Chris Jacobsen	50	Chief Marketing Officer

W. Kent Taylor. Mr. Taylor is the founder of Texas Roadhouse and resumed his role as Chief Executive Officer in August 2011, a position he held between May 2000 and October 2004. He was named Chairman of the Company and Board in October 2004. Before his founding of our concept, Mr. Taylor founded and co-owned Buckhead Bar and Grill in Louisville, Kentucky. Mr. Taylor has over 30 years of experience in the restaurant industry.

Scott M. Colosi. Mr. Colosi was appointed President in August 2011 and has served as Chief Financial Officer since January 2015. Previously, Mr. Colosi served as our Chief Financial Officer from September 2002 to August 2011. From 1992 until September 2002, Mr. Colosi was employed by YUM! Brands, Inc., owner of KFC, Pizza Hut and Taco Bell brands. During this time, Mr. Colosi served in various financial positions and, immediately prior to joining us, was Director of Investor Relations. Mr. Colosi has over 25 years of experience in the restaurant industry.

Celia P. Catlett. Ms. Catlett was appointed General Counsel in November 2013. She joined Texas Roadhouse in May 2005 and served as Associate General Counsel from July 2010 until her appointment as General Counsel. She has served as Corporate Secretary since 2011. Prior to joining us, Ms. Catlett practiced law in New York City. Ms. Catlett has 15 years of legal experience, including over 10 years of experience in the restaurant industry.

S. Chris Jacobsen. Mr. Jacobsen was appointed Chief Marketing Officer in February 2016. Mr. Jacobsen joined Texas Roadhouse in January 2003 and has served as Vice President of Marketing since 2011. Prior to joining us, Mr. Jacobsen was employed by Papa John's International and Waffle House, Inc. where he held various senior level marketing positions. He has over 20 years of restaurant industry experience.

Website Access to Reports

We make our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934, available, free of charge on or through the Internet website, www.texasroadhouse.com, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission ("SEC").

ITEM 1A. RISK FACTORS

From time to time, in periodic reports and oral statements and in this Annual Report on Form 10-K, we present statements about future events and expectations that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are based on our beliefs, assumptions and expectations of our future financial and operating performance and growth plans, taking into account the information currently available to us. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we express or imply in any forward-looking statements.

Careful consideration should be given to the risks described below. If any of the risks and uncertainties described in the cautionary factors described below actually occurs, our business, financial condition and results of operations, and the trading price of our common stock could be materially and adversely affected. Moreover, we operate in a very competitive and rapidly changing environment. New factors emerge from time to time and it is not possible to predict the impact of all these factors on our business, financial condition or results of operations.

Risks Related to Our Business and Industry

If we fail to manage our growth effectively, it could harm our business.

Failure to manage our growth effectively could harm our business. We have grown significantly since our inception and intend to continue growing in the future. Our existing restaurant management systems, financial and management controls and information systems may not be adequate to support our planned expansion. Our ability to manage our growth effectively will require us to continue to enhance these systems, procedures and controls and to locate, hire, train and retain management and operating personnel. We cannot assure you that we will be able to respond on a timely basis to all of the changing demands that our planned expansion will impose on management and on our existing infrastructure. If we are unable to manage our growth effectively, our business and operating results could be materially adversely impacted.

Our growth strategy, which primarily depends on our ability to open new restaurants that are profitable, is subject to many factors, some of which are beyond our control.

Our objective is to grow our business and increase stockholder value by (1) expanding our base of company restaurants (and, to a lesser extent, franchise restaurants) that are profitable and (2) increasing sales and profits at existing restaurants. While both these methods of achieving our objective are important to us, historically the most significant means of achieving our objective has been through opening new restaurants and operating these restaurants on a profitable basis. We expect this to continue to be the case for the near future.

We cannot assure you that we will be able to open new restaurants in accordance with our expansion plans. We have experienced delays in opening some of our restaurants in the past and may experience delays in the future. Delays or failures in opening new restaurants could materially adversely affect our growth strategy. One of our biggest challenges in executing our growth strategy is locating and securing an adequate supply of suitable new restaurant sites. Competition for suitable restaurant sites in our target markets is intense. We cannot assure you that we will be able to find sufficient suitable locations, or suitable purchase or lease terms, for planned expansion in any future period. Our ability to open new restaurants will also depend on numerous other factors, some of which are beyond our control, including, but not limited to, the following:

- our ability to hire, train and retain qualified operating personnel, especially market partners and managing partners;

- the availability of construction materials and labor;
- our ability to control construction and development costs of new restaurants;
- our ability to secure required governmental approvals and permits in a timely manner, or at all;
- our ability to secure liquor licenses;
- general economic conditions;
- the cost and availability of capital to fund construction costs and pre-opening expenses; and
- weather and acts of God.

Once opened, we anticipate that our new restaurants will generally take several months to reach planned operating levels due to start-up inefficiencies typically associated with new restaurants. We cannot assure you that any restaurant we open will be profitable or obtain operating results similar to those of our existing restaurants. Our ability to operate new restaurants profitably will depend on numerous factors, including those discussed above impacting our average unit volume and comparable restaurant sales, some of which are beyond our control, including, but not limited to, the following:

- competition from competitors in our industry or our own restaurants;
- consumer acceptance of our restaurants in new domestic or international markets;
- the ability of the market partner and the managing partner to execute our business strategy at the new restaurant;
- general economic conditions which can affect restaurant traffic, local labor costs, and prices we pay for the food products and other supplies we use;
- changes in government regulation;
- road construction and other factors limiting access to the restaurant; and
- weather and acts of God.

Our failure to successfully open new restaurants that are profitable in accordance with our growth strategy could harm our business and future prospects. In addition, our inability to open new restaurants and provide growth opportunities to our employees could result in the significant loss of qualified personnel which could harm our business and future prospects.

Our expansion into new domestic and/or international markets may present increased risks due to our unfamiliarity with the area.

Some of our new restaurants will be located in areas where we have little or no meaningful experience. Those markets may have different competitive conditions, consumer tastes and discretionary spending patterns than our existing markets, which may cause our new restaurants to be less successful than restaurants in our existing markets. An additional risk of expanding into new markets is the lack of market awareness of our brands. Restaurants opened in new markets may open at lower average weekly sales volume than restaurants opened in existing markets and may have higher restaurant-level operating expense ratios than in existing markets. Sales at restaurants opened in new markets may take longer to reach average unit volume, if at all, thereby affecting our overall profitability.

We are also subject to governmental regulations throughout the world impacting the way we do business with our international franchisees. These include antitrust and tax requirements, anti-boycott regulations, import/export/customs and other international trade regulations, the USA Patriot Act and the Foreign Corrupt Practices Act. Failure to comply with any such legal requirements could subject us to monetary liabilities and other sanctions, which could adversely impact our business and financial performance.

The acquisition of existing restaurants from our franchisees and other strategic transactions may have unanticipated consequences that could harm our business and our financial condition.

We plan to opportunistically acquire existing restaurants from our franchisees over time. Additionally, from time to time, we evaluate potential mergers, acquisitions, joint ventures or other strategic initiatives to acquire or develop additional concepts. To successfully execute any acquisition or development strategy, we will need to identify suitable acquisition or development candidates, negotiate acceptable acquisition or development terms and obtain appropriate financing. Any acquisition or future development that we pursue, whether or not successfully completed, may involve risks, including:

- material adverse effects on our operating results, particularly in the fiscal quarters immediately following the acquisition or development as the restaurants are integrated into our operations;
- risks associated with entering into new domestic or international markets or conducting operations where we have no or limited prior experience;
- risks inherent in accurately assessing the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of acquisition candidates, and our ability to achieve projected economic and operating synergies; and
- the diversion of management's attention from other business concerns.

Future acquisitions of existing restaurants from our franchisees or other strategic partners, which may be accomplished through a cash purchase transaction, the issuance of shares of common stock or a combination of both, could have a dilutive impact on holders of our common stock, and result in the incurrence of debt and contingent liabilities and impairment charges related to goodwill and other tangible and intangible assets, any of which could harm our business and financial condition. The development of additional concepts and/or the entrance into international markets may not be as successful as our experience in the development of the Texas Roadhouse concept domestically. Development rates for newer brands may differ significantly as there is increased risk in the development of a new restaurant concept or system.

You should not rely on past changes in our average unit volume or our comparable restaurant sales growth as an indication of our future results of operations because they may fluctuate significantly.

A number of factors have historically affected, and will continue to affect, our average unit volume and comparable restaurant sales growth, including, among other factors:

- consumer awareness and understanding of our brands;
- our ability to execute our business strategy effectively;
- unusually strong initial sales performance by new restaurants;
- competition, either from our competitors in the restaurant industry or our own restaurants;
- weather and acts of God;
- consumer trends;
- introduction of new menu items;
- negative publicity regarding food safety, health concerns, quality of service, and other food or beverage related matters, including the integrity of our or our suppliers' food processing; and
- general economic conditions, which can affect restaurant traffic, local labor costs and prices we pay for the food products and other supplies we use.

Our average unit volume and comparable restaurant sales growth may not increase at rates achieved in the past. Changes in our average unit volume and comparable restaurant sales growth could cause the price of our common stock to fluctuate substantially.

Our quarterly operating results may fluctuate significantly and could fall below the expectations of securities analysts and investors due to a number of factors, some of which are beyond our control, resulting in a decline in our stock price.

Our quarterly operating results may fluctuate significantly because of several factors, including:

- the timing of new restaurant openings and related expenses;
- restaurant operating costs for our newly-opened restaurants, which are often materially greater during the first several months of operation than thereafter;
- labor availability and costs for hourly and management personnel including mandated changes in federal and/or state minimum and tip wage rates, state unemployment tax rates, or health benefits;
- profitability of our restaurants, particularly in new markets;
- changes in interest rates;
- the impact of litigation, including negative publicity;
- increases and decreases in average unit volume and comparable restaurant sales growth;
- impairment of long-lived assets, including goodwill, and any loss on restaurant closures;
- general economic conditions which can affect restaurant traffic, local labor costs, and prices we pay for the food products and other supplies we use;
- negative publicity regarding food safety, health concerns and other food and beverage related matters, including the integrity of our or our suppliers' food processing;
- negative publicity relating to the consumption of beef or other products we serve;
- changes in consumer preferences and competitive conditions;
- expansion to new domestic or international markets;
- adverse weather conditions which impact guest traffic at our restaurants;
- increases in infrastructure costs;
- adoption of new, or changes in existing, accounting policies or practices;
- fluctuations in commodity prices;
- competitive actions; and
- weather and acts of God.

Our business is also subject to minor seasonal fluctuations. Historically, sales in most of our restaurants have been higher during the winter months of each year. Holidays, changes in weather, severe weather and similar conditions may impact sales volumes seasonally in some operating regions. As a result, our quarterly operating results and comparable restaurant sales may fluctuate as a result of seasonality. Accordingly, results for any one quarter are not necessarily indicative of results to be expected for any other quarter or for any year and comparable restaurant sales for any particular future period may decrease. In the future, operating results may fall below the expectations of securities analysts and investors. In that event, the price of our common stock could decrease.

The possibility of future misstatement exists due to inherent limitations in our control systems, which could adversely affect our business.

We cannot be certain that our internal control over financial reporting and disclosure controls and procedures will prevent all possible error and fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of error or fraud, if any, in our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake, which could have an adverse impact on our business.

Changes in food and supply costs could adversely affect our results of operations.

Our profitability depends in part on our ability to anticipate and react to changes in food and supply costs. Any increase in food prices, particularly proteins, could adversely affect our operating results. In addition, we are susceptible to increases in food costs as a result of factors beyond our control, such as food supply constrictions, weather conditions, food safety concerns, product recalls, global market and trade conditions, and government regulations. We cannot predict whether we will be able to anticipate and react to changing food costs by adjusting our purchasing practices and menu prices, and a failure to do so could adversely affect our operating results. Extreme and/or long term increases in commodity prices could adversely affect our future results, especially if we are unable, primarily due to competitive reasons, to increase menu prices. Additionally, if there is a time lag between the increasing commodity prices and our ability to increase menu prices or if we believe the commodity price increase to be short in duration and we choose not to pass on the cost increases, our short-term results could be negatively affected. Also, if we adjust pricing there is no assurance that we will realize the full benefit of any adjustment due to changes in our guests' menu item selections and guest traffic.

We currently purchase the majority of our beef from three beef suppliers under annual contracts. While we maintain relationships with additional suppliers, if any of these vendors were unable to fulfill its obligations under its contracts, we could encounter supply shortages and incur higher costs to secure adequate supplies, either of which would harm our business.

Our business could be adversely affected by increased labor costs or labor shortages.

Labor is a primary component in the cost of operating our business. We devote significant resources to recruiting and training our managers and hourly employees. Increased labor costs due to competition, unionization, increased minimum and tip wages, state unemployment rates or employee benefits costs or otherwise, would adversely impact our operating expenses. The federal government and numerous states have enacted legislation resulting in tip and/or minimum wage increases as well as pre-determined future increases. We anticipate that additional legislation will be enacted in future periods. The Patient Protection and Affordable Care Act ("PPACA") includes provisions requiring health care coverage for all Americans in 2015. The legislation imposes implementation effective dates that began in 2010 and extend through 2020, and many of the changes require additional guidance from government agencies or federal regulations. The requirements to provide health insurance benefits to employees could have an adverse effect on our results of operations and financial position. Our distributors and suppliers also may be affected by higher minimum wage and benefit standards, which could result in higher costs for goods and services supplied to us. In addition, a shortage in the labor pool or other general inflationary pressures or changes could also increase our labor costs. Our operating margin will be adversely affected to the extent that we are not able or are unwilling to offset these costs through higher prices on our products.

Moreover, we could suffer from significant indirect costs, including restaurant disruptions due to management or hourly labor turnover and potential delays in new restaurant openings or adverse guest reactions to inadequate guest service levels due to staff shortages. Competition for qualified employees exerts upward pressure on wages paid to attract such personnel, resulting in higher labor costs, together with greater recruitment and training expense. A shortage in the labor pool could also cause our restaurants to be required to operate with reduced staff, which could negatively impact our ability to provide adequate service levels to our guests.

In addition, our success depends on our ability to attract, motivate and retain qualified employees, including restaurant managers and staff, to keep pace with our growth strategy. If we are unable to do so, our results of operations may be adversely affected.

Approximately 14% of our company-owned restaurants are located in Texas and, as a result, we are sensitive to economic and other trends and developments in that state.

As of December 29, 2015, we operated a total of 54 company-owned restaurants in Texas. As a result, we are particularly susceptible to adverse trends and economic conditions in this state, including its labor market. In addition, given our geographic concentration in this state, negative publicity regarding any of our restaurants in Texas could have a material adverse effect on our business and operations, as could other occurrences in Texas such as local strikes, energy shortages or extreme fluctuations in energy prices, droughts, earthquakes, fires or other natural disasters.

Our objective to increase sales and profits at existing restaurants could be adversely affected by macroeconomic conditions.

During 2016 and possibly beyond, the U.S. and global economies may suffer from a downturn in economic activity. Recessionary economic cycles, higher interest rates, higher fuel and other energy costs, inflation, increases in commodity prices, higher levels of unemployment, higher consumer debt levels, higher tax rates and other changes in tax laws or other economic factors that may affect consumer spending or buying habits could adversely affect the demand for our products. As in the past, we could experience reduced guest traffic or we may be unable or unwilling to increase the prices we can charge for our products to offset higher costs or fewer transactions, either of which could reduce our sales and profit margins. Also, landlords or other tenants in the shopping centers in which some of our restaurants are located may experience difficulty as a result of macroeconomic trends or cease to operate, which could in turn negatively affect guest traffic at our restaurants. All of these factors could have a material adverse impact on our business, results of operations, financial condition or liquidity.

Changes in consumer preferences and discretionary spending could adversely affect our business.

Our success depends, in part, upon the popularity of our food products. Shifts in consumer preferences away from our restaurants or cuisine, particularly beef, would harm our business. Also, our success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. Accordingly, we may experience declines in sales during economic downturns or during periods of uncertainty. Any material decline in the amount of discretionary spending could have a material adverse effect on our business, results of operations, financial condition or liquidity.

Our success depends on our ability to compete with many food service businesses.

The restaurant industry is intensely competitive. We compete with many well-established food service companies on the basis of taste, quality and price of products offered, guest service, atmosphere, location and overall guest experience. Our competitors include a large and diverse group of restaurant chains and individual restaurants that range from independent local operators that have opened restaurants in various markets to well-capitalized national restaurant companies. We also face competition from the supermarket industry which offers "convenient" meals in the form of improved entrees and side dishes from the deli section. In addition, improving product offerings of fast casual and quick-service restaurants, together with negative economic conditions could cause consumers to choose less expensive alternatives. Many of our competitors or potential competitors have substantially greater financial and other resources than we do, which may allow them to react to changes in pricing, marketing and the casual dining segment of the restaurant industry better than we can. As our competitors expand their operations, we expect competition to intensify. We also compete with other restaurant chains and other retail establishments for quality site locations and hourly employees.

The food service industry is affected by litigation and publicity concerning food quality, health and other issues, which can cause guests to avoid our restaurants and result in significant liabilities or litigation costs.

Food service businesses can be adversely affected by litigation and complaints from guests, consumer groups or government authorities resulting from food quality, illness, injury or other health concerns or operating issues stemming from one restaurant or a limited number of restaurants. Adverse publicity about these allegations may negatively affect us, regardless of whether the allegations are true, by discouraging guests from eating at our restaurants. We could also incur significant liabilities if a lawsuit or claim results in a decision against us or litigation costs regardless of the result.

Given the marked increase in the use of social media platforms and similar devices in recent years, individuals have access to a broad audience of consumers and other interested persons. The availability of information on social media platforms is virtually immediate as is its impact. Many social media platforms immediately publish the content their

subscribers and participants can post, often without filters or checks on the accuracy of the content posted. Information concerning our company may be posted on such platforms at any time. Information posted may be adverse to our interests or may be inaccurate, each of which may harm our business. The harm may be immediate without affording us an opportunity for redress or correction. These factors could have a material adverse effect on our business.

Health concerns relating to the consumption of beef or other food products could affect consumer preferences and could negatively impact our results of operations.

Like other restaurant chains, consumer preferences could be affected by health concerns about the consumption of beef, the key ingredient in many of our menu items, or negative publicity concerning food quality, illness and injury in general. In recent years there has been negative publicity concerning e-coli, hepatitis A, "mad cow," "foot-and-mouth" disease and "bird flu." The restaurant industry has also been subject to a growing number of claims that the menus and actions of restaurant chains have led to the obesity of certain of their guests. In November 2014, the FDA published final regulations to implement the menu labeling provisions of the PPACA with a compliance date of December 2015. In July 2015, the FDA delayed compliance in order to further clarify guidance. Companies have until December 1, 2016 to comply with the new guidance. We cannot make any assurances regarding our ability to effectively respond to changes in consumer health perceptions or our ability to successfully implement the nutrient content disclosure requirements and to adapt our menu offerings to trends in eating habits. The imposition of menu-labeling laws could have an adverse effect on our results of operations and financial position, as well as the restaurant industry in general. The labeling requirements and any negative publicity concerning any of the food products we serve may adversely affect demand for our food and could result in a decrease in guest traffic to our restaurants. If we react to the labeling requirements or negative publicity by changing our concept or our menu offerings or their ingredients, we may lose guests who do not prefer the new concept or products, and we may not be able to attract sufficient new guests to produce the revenue needed to make our restaurants profitable. In addition, we may have different or additional competitors for our intended guests as a result of a change in our concept and may not be able to compete successfully against those competitors. A decrease in guest traffic to our restaurants as a result of these health concerns or negative publicity or as a result of a change in our menu or concept could materially harm our business.

Food safety and food-borne illness concerns may have an adverse effect on our business by reducing demand and increasing costs.

Food safety is a top priority, and we dedicate substantial resources to help our guests enjoy safe, quality food products. However, food-borne illnesses and food safety issues occur in the food industry from time to time. Any report or publicity linking us to instances of food-borne illness or other food safety issues, including food tampering or contamination, could adversely affect our brands and reputation as well as our revenues and profits. In addition, instances of food-borne illness, food tampering or food contamination occurring solely at restaurants of our competitors could result in negative publicity about the food service industry generally and adversely impact our sales.

Furthermore, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by factors outside of our control and that multiple locations would be affected rather than a single restaurant. We cannot assure that all food items are properly maintained during transport throughout the supply chain and that our employees will identify all products that may be spoiled and should not be used in our restaurants. If our guests become ill from food-borne illnesses, we could be forced to temporarily close some restaurants. Furthermore, any instances of food contamination, whether or not at our restaurants, could subject us or our suppliers to a food recall.

The United States and other countries have experienced, or may experience in the future, outbreaks of viruses, such as the Norovirus, Ebola, Avian Flu, SARS and H1N1. To the extent that a virus is food-borne, future outbreaks may adversely affect the price and availability of certain food products and cause our guests to eat less of a product. To the extent that a virus is transmitted by human-to-human contact, our employees or guests could become infected, or could choose, or be advised or required, to avoid gathering in public places, any one of which could adversely affect our business.

We rely heavily on information technology, and any material failure, weakness or interruption could prevent us from effectively operating our business.

We rely heavily on information systems, including point-of-sale processing in our restaurants for payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures. Our ability to efficiently and effectively manage our business depends significantly on the reliability and capacity of these systems.

The failure of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms could result in delays in guest service and reduce efficiency in our operations. Remediation of such problems could result in significant, unplanned capital investments.

We may incur costs and adverse revenue consequences resulting from breaches of security related to confidential guest and/or employee information.

The nature of our business involves the receipt and storage of information about our guests and employees. Hardware, software or other applications we develop and procure from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Unauthorized parties may also attempt to gain access to our systems and facilities through fraud, trickery or other forms of deceiving our employees or vendors. In addition, we accept electronic payment cards for payment in our restaurants. During 2015, approximately 77% of our transactions were by credit or debit cards, and such card usage could increase. Other retailers have experienced actual or potential security breaches in which credit and debit card along with employee information may have been stolen. We may in the future become subject to claims for purportedly fraudulent transactions arising out of alleged theft of guest and/or employee information, and we may also be the subject to lawsuits or other proceedings relating to these type of incidents. Any such claim or proceeding could cause us to incur significant unplanned expenses in excess of our insurance coverage, which could have a material adverse impact on our financial condition and results of operations. Further, adverse publicity resulting from these allegations may result in a material adverse revenue consequences for us and our restaurants.

We may not be able to obtain and maintain licenses and permits necessary to operate our restaurants and compliance with governmental laws and regulations could adversely affect our operating results.

The restaurant industry is subject to various federal, state and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure to obtain and maintain these licenses, permits and approvals, including liquor licenses, could adversely affect our operating results. Difficulties or failure to obtain the required licenses and approvals could delay or result in our decision to cancel the opening of new restaurants. Local authorities may revoke, suspend or deny renewal of our liquor licenses if they determine that our conduct violates applicable regulations.

In addition to our having to comply with these licensing requirements, various federal and state labor laws govern our relationship with our employees and affect operating costs. These laws include minimum and tip wage requirements, overtime pay, health benefits, unemployment tax rates, workers' compensation rates, citizenship requirements and working conditions. A number of factors could adversely affect our operating results, including:

- additional government-imposed increases in minimum and/or tipped wages, overtime pay, paid leaves of absence, sick leave, and mandated health benefits;
- increased tax reporting and tax payment requirements for employees who receive gratuities;
- any failure of our employees to comply with laws and regulations governing citizenship or residency requirements resulting in disruption of our work force and adverse publicity against us;
- a reduction in the number of states that allow gratuities to be credited toward minimum wage requirements; and
- increased employee litigation including claims under federal and/or state wage and hour laws.

The federal Americans with Disabilities Act prohibits discrimination on the basis of disability in public accommodations and employment. Although our restaurants are designed to be accessible to the disabled, we could be required to make modifications to our restaurants to provide service to, or make reasonable accommodations for disabled persons.

Our failure or inability to enforce our trademarks or other proprietary rights could adversely affect our competitive position or the value of our brand.

We own certain common law trademark rights and a number of federal and international trademark and service mark registrations, including our trade names and logos, and proprietary rights relating to certain of our core menu offerings. We believe that our trademarks and other proprietary rights are important to our success and our competitive

position. We, therefore, devote appropriate resources to the protection of our trademarks and proprietary rights. The protective actions that we take, however, may not be enough to prevent unauthorized usage or imitation by others, which could harm our image, brand or competitive position and, if we commence litigation to enforce our rights, cause us to incur significant legal fees. Our inability to register or protect our marks and other propriety rights in foreign jurisdictions could adversely affect our competitive position in international markets.

We cannot assure you that third parties will not claim that our trademarks or menu offerings infringe upon their proprietary rights. Any such claim, whether or not it has merit, could be time-consuming, result in costly litigation, cause delays in introducing new menu items in the future or require us to enter into royalty or licensing agreements. As a result, any such claim could have a material adverse effect on our business, results of operations, financial condition or liquidity.

Complaints or litigation may hurt us.

Occasionally, our guests file complaints or lawsuits against us alleging that we are responsible for some illness or injury they suffered as a result of a visit to our restaurants, or that we have problems with food quality or operations. We are also subject to a variety of other claims arising in the ordinary course of our business, including personal injury claims, contract claims, claims from franchisees and claims alleging violations of federal and state laws regarding consumer, workplace and employment matters, wage and hour claims, discrimination and similar matters, or we could become subject to class action lawsuits related to these matters in the future. The restaurant industry has also been subject to a growing number of claims that the menus and actions of restaurant chains have led to the obesity of certain of their guests. In addition, we are subject to "dram shop" statutes. These statutes generally allow a person injured by an intoxicated person to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. Some litigation against restaurant chains has resulted in significant judgments, including punitive damages, under dram shop statutes. Because a plaintiff may seek punitive damages, which may not be covered by insurance, this type of action could have an adverse impact on our financial condition and results of operations. Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend and may divert time and money away from our operations and hurt our performance. A judgment that is uninsured or significantly in excess of our insurance coverage for any claims could materially adversely affect our business, results of operations, financial condition or liquidity. Further, adverse publicity resulting from these allegations may have a material adverse effect on us and our restaurants.

Our current insurance may not provide adequate levels of coverage against claims.

We currently maintain insurance customary for businesses of our size and type. However, there are types of losses we may incur that cannot be insured against or that we believe are not economically reasonable to insure. Such damages could have a material adverse effect on our business, results of operations and/or liquidity. In addition, we self-insure a significant portion of expected losses under our health, workers compensation, general liability, employment practices liability and property insurance programs. Unanticipated changes in the actuarial assumptions and management estimates underlying our reserves for these losses could result in materially different amounts of expense under these programs, which could have a material adverse effect on our financial condition, results of operations and liquidity.

We may need additional capital in the future and it may not be available on acceptable terms.

The development of our business may require significant additional capital in the future to, among other things, fund our operations and growth strategy. We may rely on bank financing and also may seek access to the debt and/or equity capital markets. There can be no assurance, however, that these sources of financing will be available on terms favorable to us, or at all. Our ability to obtain additional financing will be subject to a number of factors, including market conditions, our operating performance, investor sentiment and our ability to incur additional debt in compliance with agreements governing our outstanding debt. These factors may make the timing, amount, terms and conditions of additional financings unattractive to us. If we are unable to raise additional capital, our growth could be impeded.

Our existing credit facility limits our ability to incur additional debt.

The lenders' obligation to extend credit under our amended revolving credit facility depends on our maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. If we are unable to maintain these ratios, we would be unable to obtain additional financing under this amended revolving credit facility. The amended revolving credit facility permits us to incur additional secured or unsecured indebtedness outside the revolving credit facility, except for the incurrence of

secured indebtedness that in the aggregate exceeds 15% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants.

We have also entered into another loan agreement to finance a restaurant which imposes financial covenants that are less restrictive than those imposed by our existing revolving credit facility. A default under this loan agreement could result in a default under our existing revolving credit facility, which in turn would limit our ability to secure additional funds under that facility. As of December 29, 2015, we were in compliance with all of our lenders' covenants.

We may be required to record additional impairment charges in the future.

In accordance with accounting guidance as it relates to the impairment of long-lived assets, we make certain estimates and projections with regard to company-owned restaurant operations, as well as our overall performance in connection with our impairment analyses for long-lived assets. When impairment triggers are deemed to exist for any company-owned restaurant, the estimated undiscounted future cash flows for the restaurant are compared to its carrying value. If the carrying value exceeds the undiscounted cash flows, an impairment charge would be recorded equal to the difference between the carrying value and the estimated fair value.

We also review the value of our goodwill on an annual basis and when events or changes in circumstances indicate that the carrying value of goodwill or other intangible assets may exceed the fair value of such assets. The estimates of fair value are based upon the best information available as of the date of the assessment and incorporate management assumptions about expected future cash flows and contemplate other valuation measurements and techniques.

The estimates of fair value used in these analyses require the use of judgment, certain assumptions and estimates of future operating results. If actual results differ from our estimates or assumptions, additional impairment charges may be required in the future. If impairment charges are significant, our results of operations could be adversely affected.

If we lose the services of any of our key management personnel, our business could suffer.

Our future success depends on the continued services and performance of our key management personnel. Our future performance will depend on our ability to motivate and retain these and other key officers and managers, particularly regional market partners, market partners and managing partners. Competition for these employees is intense. The loss of the services of members of our senior management team or other key officers or managers or the inability to attract additional qualified personnel as needed could materially harm our business.

Our franchisees could take actions that could harm our business.

Our franchisees are contractually obligated to operate their restaurants in accordance with Texas Roadhouse standards. We also provide training and support to franchisees. However, most franchisees are independent third parties that we do not control, and these franchisees own, operate and oversee the daily operations of their restaurants. As a result, the ultimate success and quality of any franchise restaurant rests with the franchisee. If franchisees do not successfully operate restaurants in a manner consistent with our standards, the Texas Roadhouse image and reputation could be harmed, which in turn could adversely affect our business and operating results.

Risks Related to Our Corporate Structure, Our Stock Ownership and Our Common Stock

Provisions in our charter documents and Delaware law may delay or prevent our acquisition by a third party.

Our certificate of incorporation and by-laws contain several provisions that may make it more difficult for a third party to acquire control of us without the approval of our Board of Directors. These provisions include, among other things, advance notice for raising business or making nominations at meetings, "blank check" preferred stock and staggered terms for our Board of Directors. Blank check preferred stock enables our Board of Directors, without approval of the stockholders, to designate and issue additional series of preferred stock with such dividend, liquidation, conversion, voting or other rights, including the right to issue convertible securities with no limitations on conversion, as our Board of Directors may determine. The issuance of blank check preferred stock may adversely affect the voting and other rights of the holders of our common stock as our Board of Directors may designate and issue preferred stock with terms that are senior to our common stock. These provisions may make it more difficult or expensive for a third party to acquire a majority of our outstanding common stock. These provisions also may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our stockholders receiving a premium over the market price for their common stock.

The Delaware General Corporation Law prohibits us from engaging in "business combinations" with "interested shareholders" (with some exceptions) unless such transaction is approved in a prescribed manner. The existence of this provision could have an anti-takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging attempts that might result in a premium over the market price for our common stock.

ITEM 1B—UNRESOLVED STAFF COMMENTS

None.

ITEM 2—PROPERTIES

Properties

Our Support Center is located in Louisville, Kentucky. We occupy this facility under leases with Paragon Centre Holdings, LLC, a limited liability company in which we have a minority ownership position. As of December 29, 2015, we leased 75,219 square feet. Our leases expire between December 31, 2029 and December 31, 2030 including all applicable extensions. Of the 401 company restaurants in operation as of December 29, 2015, we owned 130 locations and leased 271 locations, as shown in the following table.

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State	Owned	Leased	Total
Alabama	3	5	8
Alaska	—	2	2
Arizona	6	9	15
Arkansas	—	3	3
California	1	2	3
Colorado	7	8	15
Connecticut	—	4	4
Delaware	1	1	2
Florida	3	17	20
Georgia	2	3	5
Idaho	1	4	5
Illinois	2	13	15
Indiana	10	7	17
Iowa	2	7	9
Kansas	2	1	3
Kentucky	4	7	11
Louisiana	2	7	9
Maine	—	3	3
Maryland	—	5	5
Massachusetts	1	7	8
Michigan	3	8	11
Minnesota	1	3	4
Mississippi	1	—	1
Missouri	2	9	11
Nebraska	1	2	3
Nevada	—	1	1
New Hampshire	2	1	3
New Jersey	—	6	6
New Mexico	1	3	4
New York	3	11	14
North Carolina	5	12	17
North Dakota	—	2	2
Ohio	12	14	26
Oklahoma	2	4	6
Oregon	—	2	2
Pennsylvania	3	17	20
Rhode Island	—	3	3
South Carolina	—	2	2
South Dakota	1	1	2
Tennessee	—	11	11
Texas	35	19	54
Utah	—	9	9
Vermont	—	1	1
Virginia	4	8	12
Washington	—	1	1
West Virginia	1	—	1
Wisconsin	4	6	10
Wyoming	2	—	2
Total	130	271	401

Additional information concerning our properties and leasing arrangements is included in note 2(p) and note 7 to the Consolidated Financial Statements appearing in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 3—LEGAL PROCEEDINGS

On September 30, 2011, the U.S. Equal Employment Opportunity Commission ("EEOC") filed a lawsuit styled Equal Employment Opportunity Commission v. Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC and Texas Roadhouse Management Corp. in the United States District Court, District of Massachusetts, Civil Action Number 1:11-cv-11732. The complaint alleges that applicants over the age of 40 were denied employment in our restaurants in bartender, host, server and server assistant positions due to their age. The EEOC is seeking injunctive relief, remedial actions, payment of damages to the applicants and costs. We have filed an answer to the complaint, and the case is in discovery. We deny liability; however, in view of the inherent uncertainties of litigation, the outcome of this case cannot be predicted at this time. We cannot estimate the amount or range of loss, if any, associated with this matter.

Occasionally, we are a defendant in litigation arising in the ordinary course of our business, including "slip and fall" accidents, employment related claims and claims from guests or employees alleging illness, injury or food quality, health or operational concerns. None of these types of litigation, most of which are covered by insurance, has had a material effect on us and, as of the date of this report, we are not party to any litigation that we believe could have a material adverse effect on our business.

ITEM 4—MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5—MARKET FOR THE REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the Nasdaq Global Select Market under the symbol TXRH. Dividend information and the quarterly high and low sales prices of our common stock by quarter were as follows:

	High	Low	Dividends Declared
Year ended December 29, 2015			
First Quarter	\$38.42	\$32.13	\$ 0.17
Second Quarter	\$37.80	\$33.33	\$ 0.17
Third Quarter	\$40.82	\$31.55	\$ 0.17
Fourth Quarter	\$38.64	\$33.06	\$ 0.17
Year ended December 30, 2014			
First Quarter	\$27.95	\$22.87	\$ 0.15
Second Quarter	\$27.11	\$23.73	\$ 0.15
Third Quarter	\$27.93	\$24.51	\$ 0.15
Fourth Quarter	\$34.32	\$26.63	\$ 0.15

The number of holders of record of our common stock as of February 17, 2016 was 246.

On February 19, 2016, our Board of Directors authorized the payment of a cash dividend of \$0.19 per share of common stock. This payment will be distributed on April 1, 2016, to shareholders of record at the close of business on March 16, 2016. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our credit facility and other contractual restrictions, or other factors deemed relevant.

As of December 29, 2015, shares of common stock authorized for issuance under our equity compensation plans are summarized in the following table. The weighted-average option exercise price is for stock options only, as the restricted stock has no exercise price. See note 13 to the Consolidated Financial Statements for a description of the plans.

Plan Category	Shares to Be Issued Upon Exercise	Weighted-Average Option Exercise Price	Shares Available for Future Grants
Plans approved by stockholders(1)	1,543,084	\$ 13.10	5,275,064
Plans not approved by stockholders	—	—	—
Total	1,543,084	\$ 13.10	5,275,064

(1) See note 13 to the Consolidated Financial Statements.

Unregistered Sales of Equity Securities

There were no equity securities sold by the Company during the period covered by this Annual Report on Form 10-K that were not registered under the Securities Act of 1933, as amended.

Issuer Repurchases of Securities

On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations.

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During 2015, we paid approximately \$11.4 million to repurchase 321,789 shares of our common stock, and we had \$74.0 million remaining under our authorized stock repurchase program as of December 29, 2015.

Since commencing our repurchase program in 2008, we have repurchased a total of 14,730,151 shares of common stock at a total cost of \$212.4 million through December 29, 2015 under authorizations from our Board of Directors. The following table includes information regarding purchases of our common stock made by us during the 13 weeks ended December 29, 2015.

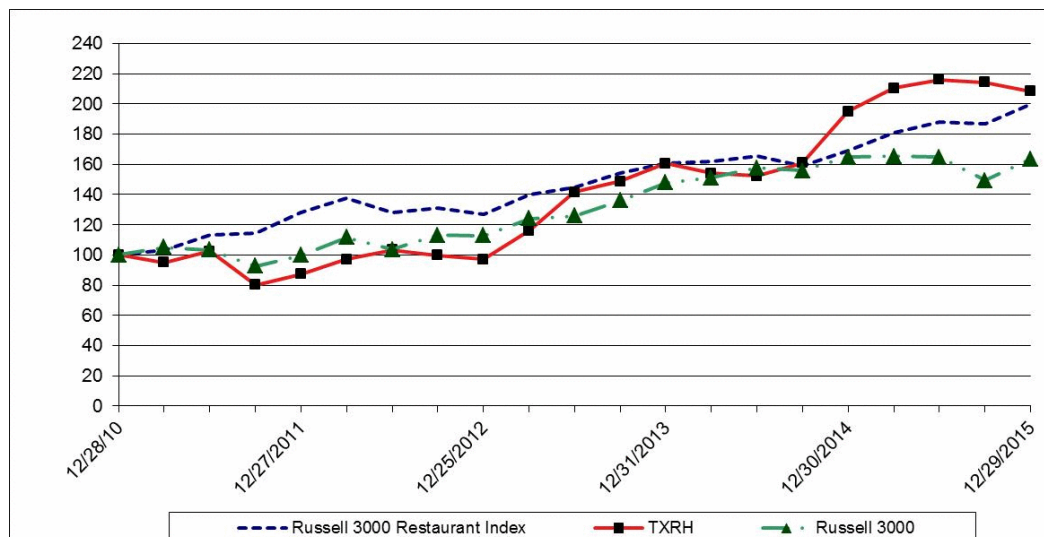
Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
September 30 to October 27	39,200	\$ 36.15	39,200	\$ 79,258,206
October 28 to November 24	70,000	\$ 34.55	70,000	\$ 76,841,018
November 25 to December 29	80,500	\$ 35.02	80,500	\$ 74,023,881
Total	189,700		189,700	

Stock Performance Graph

The following graph sets forth cumulative total return experienced by holders of the Company's common stock compared to the cumulative total return of the Russell 3000 Restaurant Index and the Russell 3000 Index for the five year period ended December 29, 2015, the last trading day of our fiscal year. The graph assumes the values of the investment in our common stock and each index was \$100 on December 28, 2010 and the reinvestment of all dividends paid during the period of the securities comprising the indices.

Note: The stock price performance shown on the graph below does not indicate future performance.

Comparison of Cumulative Total Return Since December 28, 2010
Among Texas Roadhouse, Inc., the Russell 3000 Index and the Russell 3000 Restaurant Index



	12/28/2010	12/27/2011	12/25/2012	12/31/2013	12/30/2014	12/29/2015
Texas Roadhouse, Inc.	\$ 100.00	\$ 87.41	\$ 97.17	\$ 160.60	\$ 195.15	\$ 208.32
Russell 3000	\$ 100.00	\$ 99.70	\$ 112.80	\$ 147.75	\$ 164.80	\$ 163.50
Russell 3000 Restaurant	\$ 100.00	\$ 127.85	\$ 127.07	\$ 161.02	\$ 168.94	\$ 199.82

ITEM 6—SELECTED CONSOLIDATED FINANCIAL DATA

We derived the selected consolidated financial data as of and for the years 2015, 2014, 2013, 2012, and 2011 from our audited consolidated financial statements.

The Company utilizes a 52 or 53 week accounting period that ends on the last Tuesday in December. The Company utilizes a 13 or 14 week accounting period for quarterly reporting purposes. Fiscal year 2013 was 53 weeks in length while fiscal years 2015, 2014, 2012, and 2011 were 52 weeks in length. Our historical results are not necessarily indicative of our results for any future period.

	Fiscal Year				
	2015	2014	2013	2012	2011
	(in thousands, except per share data)				
Consolidated Statements of Income:					
Revenue:					
Restaurant sales	\$ 1,791,446	\$ 1,568,556	\$ 1,410,118	\$ 1,252,358	\$ 1,099,475
Franchise royalties and fees	15,922	13,592	12,467	10,973	9,751
Total revenue	1,807,368	1,582,148	1,422,585	1,263,331	1,109,226
Income from operations	144,565	130,449	119,715	110,458	95,239
Income before taxes	144,247	129,967	118,227	108,539	93,192
Provision for income taxes	42,986	38,990	34,140	34,738	26,765
Net income including noncontrolling interests	\$ 101,261	\$ 90,977	\$ 84,087	\$ 73,801	\$ 66,427
Less: Net income attributable to noncontrolling interests	4,367	3,955	3,664	2,631	2,463
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 96,894	\$ 87,022	\$ 80,423	\$ 71,170	\$ 63,964
Net income per common share:					
Basic	\$ 1.38	\$ 1.25	\$ 1.15	\$ 1.02	\$ 0.90
Diluted	\$ 1.37	\$ 1.23	\$ 1.13	\$ 1.00	\$ 0.88
Weighted average shares outstanding(1):					
Basic	70,032	69,719	70,089	70,026	70,829
Diluted	70,747	70,608	71,362	71,485	72,278

	Fiscal Year				
	2015	2014	2013	2012	2011
	(\$ in thousands)				
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 59,334	\$ 86,122	\$ 94,874	\$ 81,746	\$ 78,777
Total assets	1,032,706	943,142	877,644	791,254	740,670
Long-term debt and obligations under capital leases, net of current maturities	25,550	50,693	50,990	51,264	61,601
Total liabilities	355,524	328,186	283,784	260,517	244,848
Noncontrolling interests	7,520	7,064	6,201	5,653	3,918
Texas Roadhouse, Inc. and subsidiaries stockholders' equity(2)	\$ 669,662	\$ 607,892	\$ 587,659	\$ 525,084	\$ 491,904
Selected Operating Data (unaudited):					
Restaurants:					
Company-Texas Roadhouse	392	368	345	318	291
Company-Bubba's 33	7	3	1	—	—
Company-Other	2	1	—	2	3
Franchise	82	79	74	72	72
Total	483	451	420	392	366
Company restaurant information:					
Store weeks	20,020	18,565	17,426	15,936	14,573
Comparable restaurant sales growth(3)	7.2 %	4.7 %	3.4 %	4.7 %	4.7 %
Texas Roadhouse restaurants only:					
Comparable restaurant sales growth(3)	7.2 %	4.7 %	3.4 %	4.7 %	4.8 %
Average unit volume(4)	\$ 4,664	\$ 4,355	\$ 4,186	\$ 4,085	\$ 3,917
Net cash provided by operating activities	\$ 227,941	\$ 191,713	\$ 173,836	\$ 148,046	\$ 136,419
Net cash used in investing activities	\$ (173,203)	\$ (124,240)	\$ (111,248)	\$ (90,154)	\$ (79,475)
Net cash used in financing activities	\$ (81,526)	\$ (76,225)	\$ (49,460)	\$ (54,923)	\$ (64,421)

(1) See note 11 to the Consolidated Financial Statements.

(2) See note 10 to the Consolidated Financial Statements.

(3) Comparable restaurant sales growth reflects the change in sales over the same period of the prior years for the comparable restaurant base. We define the comparable restaurant base to include those restaurants open for a full 18 months before the beginning of the later fiscal period, excluding sales from restaurants closed during the period.

(4) Average unit volume represents the average annual restaurant sales from Texas Roadhouse company restaurants open for a full six months before the beginning of the period measured, excluding sales from restaurants closed during the period. Although 2013 contained 53 weeks, for comparative purposes, 2013 average unit volume was adjusted to a 52 week basis. Additionally, average unit volume of company-owned restaurants for 2014 and 2013 in the table above was adjusted to reflect the restaurant sales of any acquired franchise restaurants.

ITEM 7—MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion and analysis below for the Company should be read in conjunction with the consolidated financial statements and the notes to such financial statements (pages F-1 to F-26), "Forward-looking Statements" (page 3) and Risk Factors set forth in Item 1A.

Our Company

Texas Roadhouse, Inc. is a growing restaurant company operating predominately in the casual dining segment. Our founder, chairman and chief executive officer, W. Kent Taylor, started the business in 1993 with the opening of the first Texas Roadhouse restaurant in Clarksville, Indiana. Since then, we have grown to 483 restaurants in 49 states and four foreign countries. Our mission statement is "Legendary Food, Legendary Service®." Our operating strategy is designed to position each of our restaurants as the local hometown destination for a broad segment of consumers seeking high-quality, affordable meals served with friendly, attentive service. As of December 29, 2015, our 483 restaurants included:

- 401 "company restaurants," of which 385 were wholly-owned and 16 were majority-owned. The results of operations of company restaurants are included in our consolidated statements of income and comprehensive income. The portion of income attributable to minority interests in company restaurants that are not wholly-owned is reflected in the line item entitled "Net income attributable to noncontrolling interests" in our consolidated statements of income and comprehensive income. Of the 401 restaurants we owned and operated at the end of 2015, we operated 392 as Texas Roadhouse and operated seven as Bubba's 33 restaurants. In addition, we operated two restaurants outside of the casual dining segment.
- 82 "franchise restaurants," 24 of which we have a 5.0% to 10.0% ownership interest. The income derived from our minority interests in these franchise restaurants is reported in the line item entitled "Equity income from investments in unconsolidated affiliates" in our consolidated statements of income and comprehensive income. Additionally, we provide various management services to these franchise restaurants, as well as six additional franchise restaurants in which we have no ownership interest. All of the franchise restaurants operated as Texas Roadhouse restaurants.

We have contractual arrangements which grant us the right to acquire at pre-determined formulas (i) the remaining equity interests in 14 of the 16 majority-owned company restaurants and (ii) 68 of the franchise restaurants.

Throughout this report, we use the term "restaurants" to include Texas Roadhouse and Bubba's 33, unless otherwise noted.

Presentation of Financial and Operating Data

We operate on a fiscal year that ends on the last Tuesday in December. Fiscal years 2015 and 2014 were 52 weeks in length, while the quarters for those years were 13 weeks in length. Fiscal year 2013 was 53 weeks in length and, as such, the fourth quarter of fiscal 2013 was 14 weeks in length.

Long-term Strategies to Grow Earnings Per Share

Our long-term strategies with respect to increasing net income and earnings per share, along with creating shareholder value, include the following:

Expanding Our Restaurant Base. We will continue to evaluate opportunities to develop Texas Roadhouse and Bubba's 33 restaurants in existing markets and in new domestic and international markets. Domestically, we will remain focused primarily on mid-sized markets where we believe a significant demand for our restaurants exists because of population size, income levels and the presence of shopping and entertainment centers and a significant employment base. Our ability to expand our restaurant base is influenced by many factors beyond our control and therefore we may not be able to achieve our anticipated growth.

In 2015, we opened 29 restaurants including 24 Texas Roadhouses, four Bubba's 33s and one Jaggers. We currently plan to open approximately 30 company restaurants in 2016 including approximately seven Bubba's 33

restaurants. In addition, we anticipate our existing franchise partners will open as many as six, primarily international, Texas Roadhouse restaurants in 2016.

Our average capital investment for Texas Roadhouse restaurants opened during 2015, including pre-opening expenses and a capitalized rent factor, was \$4.7 million, which is lower than our average capital investment in 2014 of \$5.1 million. Our 2014 average capital investment was higher than 2015 primarily due to higher building costs at certain locations, such as Anchorage, Alaska and the New York, New York vicinity, along with higher pre-opening costs due to unexpected delays in restaurant openings throughout the year. We expect our average capital investment for Texas Roadhouse restaurants opening in 2016 to be approximately \$4.8 million. We continue to focus on driving sales and managing restaurant development costs in order to further increase our restaurant development in the future.

For 2015, the average capital investment, including pre-opening costs, for the four Bubba's 33 restaurants opened during the year was \$6.0 million. We expect our average capital investment for Bubba's 33 restaurants opening in 2016 to be \$5.7 million to \$6.0 million.

Our capital investment (including cash and non-cash costs) for new restaurants varies significantly depending on a number of factors including, but not limited to: the square footage, layout, scope of any required site work, type of construction labor (union or non-union), local permitting requirements, our ability to negotiate with landlords, cost of liquor and other licenses and hook-up fees and geographical location.

We may, at our discretion, add franchise restaurants, domestically and/or internationally, primarily with franchisees who have demonstrated prior success with Texas Roadhouse or other restaurant concepts and in markets in which the franchisee demonstrates superior knowledge of the demographics and restaurant operating conditions. In conjunction with this strategy, we signed our first international franchise development agreement in 2010 for the development of Texas Roadhouse restaurants in eight countries in the Middle East over a ten year period. In 2015, we amended our agreement in the Middle East to add one additional country to the territory. We currently have eight restaurants open in three countries in the Middle East. In addition to the Middle East, we currently have signed franchise development agreements for the development of Texas Roadhouse restaurants in Taiwan, the Philippines and Mexico. We currently have two restaurants open in Taiwan. Additionally, in 2010, we entered into a joint venture agreement with a casual dining restaurant operator in China for a minority ownership in four non-Texas Roadhouse restaurants, all of which are currently open. We continue to explore opportunities in other countries for international expansion. We may also look to acquire domestic franchise restaurants under terms favorable to the Company and our stockholders. Additionally, from time to time, we will evaluate potential mergers, acquisitions, joint ventures or other strategic initiatives to acquire or develop additional concepts either domestically and/or internationally.

Maintaining and/or Improving Restaurant Level Profitability. We plan to maintain, or possibly increase, restaurant level profitability (restaurant margin) through a combination of increased comparable restaurant sales and operating cost management. In general, we continue to balance the impacts of inflationary pressures with our value positioning as we remain focused on our long-term success. This may create a challenge in terms of maintaining and/or increasing restaurant margin, as a percentage of restaurant sales, in any given year, depending on the level of inflation we experience. In addition to restaurant margin, as a percentage of restaurant sales, we also focus on the growth of restaurant margin dollars per store week as a measure of restaurant level-profitability. In terms of driving higher guest traffic counts, we remain focused on encouraging repeat visits by our guests and attracting new guests through our continued commitment to operational standards relating to food and service quality. In order to attract new guests and increase the frequency of visits of our existing guests, we also continue to drive various localized marketing programs, to focus on speed of service and to increase throughput by adding seats in certain restaurants.

Leveraging Our Scalable Infrastructure. To support our growth, we continue to make investments in our infrastructure. Over the past several years, we have made significant investments in our infrastructure including information systems, real estate, human resources, legal, marketing, international and operations, including the development of new concepts. Our goal is for general and administrative costs to increase at a slower growth rate than our revenue. Whether we are able to leverage our infrastructure in future years will depend, in part, on our new restaurant openings, our comparable restaurant sales growth rate going forward and the level of investment we continue to make in our infrastructure.

Returning Capital to Shareholders. We continue to pay dividends and evaluate opportunities to return capital to our shareholders through repurchases of common stock. In 2011, our Board of Directors declared our first quarterly dividend of \$0.08 per share of common stock. We have consistently grown our per share dividend each year since that

time and our long-term strategy includes increasing our regular quarterly dividend amount over time. On February 19, 2016, our Board of Directors declared a quarterly dividend of \$0.19 per share of common stock. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our amended credit facility and other contractual restrictions, or other factors deemed relevant.

In 2008, our Board of Directors approved our first stock repurchase program. Since then, we have paid \$212.4 million through our authorized stock repurchase programs to repurchase 14,730,151 shares of our common stock at an average price per share of \$14.42. On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date have been made through open market transactions. As of December 29, 2015, \$74.0 million remains authorized for repurchase.

Key Operating Personnel

Key management personnel who have a significant impact on the performance of our restaurants include kitchen managers, service managers, assistant managers and managing partners and market partners. Managing partners are single unit operators who have primary responsibility for the day-to-day operations of the entire restaurant and are responsible for maintaining the standards of quality and performance we establish. Kitchen and service managers have primary responsibility for overseeing the operations of their respective areas and, along with assistant managers, support the managing partners. Market partners oversee up to 10 to 15 managing partners and their respective management teams. Market partners are also responsible for the hiring and development of each restaurant's management team and assist in the new restaurant site selection process. Managing partners and market partners are required, as a condition of employment, to sign a multi-year employment agreement. The annual compensation of our managing and market partners includes a base salary plus a percentage of the pre-tax net income of the restaurant(s) they operate or supervise. Managing and market partners are eligible to participate in our equity incentive plan and, as a general rule, are required to make deposits of \$25,000 and \$50,000, respectively. Generally, the deposits are refunded after five years of service.

Key Measures We Use To Evaluate Our Company

Key measures we use to evaluate and assess our business include the following:

Number of Restaurant Openings. Number of restaurant openings reflects the number of restaurants opened during a particular fiscal period. For company restaurant openings, we incur pre-opening costs, which are defined below, before the restaurant opens. Typically, new Texas Roadhouse restaurants open with an initial start-up period of higher than normalized sales volumes, which decrease to a steady level approximately three to six months after opening. However, although sales volumes are generally higher, so are initial costs, resulting in restaurant operating margins that are generally lower during the start-up period of operation and increase to a steady level approximately three to six months after opening.

Comparable Restaurant Sales Growth. Comparable restaurant sales growth reflects the change in sales for company-owned restaurants over the same period of the prior year for the comparable restaurant base. We define the comparable restaurant base to include those restaurants open for a full 18 months before the beginning of the later fiscal period excluding restaurants closed during the period. Comparable restaurant sales growth can be impacted by changes in guest traffic counts or by changes in the per person average check amount. Menu price changes and the mix of menu items sold can affect the per person average check amount.

Average Unit Volume. Average unit volume represents the average annual restaurant sales for company-owned Texas Roadhouse restaurants open for a full six months before the beginning of the period measured. Average unit volume excludes sales on restaurants closed during the period. Growth in average unit volume in excess of comparable restaurant sales growth is generally an indication that newer restaurants are operating with sales levels in excess of the company average. Conversely, growth in average unit volume less than growth in comparable restaurant sales growth is generally an indication that newer restaurants are operating with sales levels lower than the company average.

Store Weeks. Store weeks represent the number of weeks that our company restaurants were open during the reporting period.

Restaurant Margin. Restaurant margin represents restaurant sales less operating costs, including cost of sales, labor, rent and other operating costs. Depreciation and amortization expense, substantially all of which relates to restaurant-level assets, is excluded from restaurant operating costs and is shown separately as it represents a non-cash charge for the investment in our restaurants. Restaurant margin is widely regarded as a useful metric by which to evaluate restaurant-level operating efficiency and performance. Restaurant margin is not a measurement determined in accordance with generally accepted accounting principles ("GAAP") and should not be considered in isolation, or as an alternative, to income from operations or other similarly titled measures of other companies. Restaurant margin, as a percentage of restaurant sales, may fluctuate based on inflationary pressures, commodity costs and wage rates. As such, we also focus on the growth of restaurant margin dollars per store week as a measure of restaurant-level profitability as it provides additional insight on operating performance.

Other Key Definitions

Restaurant Sales. Restaurant sales include gross food and beverage sales, net of promotions and discounts, for all company-owned restaurants. Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from restaurant sales in the consolidated statements of income and comprehensive income.

Franchise Royalties and Fees. Domestic franchisees typically pay a \$40,000 initial franchise fee for each new restaurant. In addition, at each renewal period, we receive a fee equal to the greater of 30% of the then-current initial franchise fee or \$10,000 to \$15,000. Franchise royalties consist of royalties in an amount up to 4.0% of gross sales, as defined in our franchise agreement, paid to us by our domestic franchisees. In addition, fees paid to us by our international franchisees are included in franchise royalties and fees. The terms of the international agreements may vary significantly from our domestic agreements.

Restaurant Cost of Sales. Restaurant cost of sales consists of food and beverage costs.

Restaurant Labor Expenses. Restaurant labor expenses include all direct and indirect labor costs incurred in operations except for profit sharing incentive compensation expenses earned by our restaurant managing partners and market partners. These profit sharing expenses are reflected in restaurant other operating expenses. Restaurant labor expenses also include share-based compensation expense related to restaurant-level employees.

Restaurant Rent Expense. Restaurant rent expense includes all rent, except pre-opening rent, associated with the leasing of real estate and includes base, percentage and straight-line rent expense.

Restaurant Other Operating Expenses. Restaurant other operating expenses consist of all other restaurant-level operating costs, the major components of which are utilities, supplies, local store advertising, repairs and maintenance, equipment rent, property taxes, credit card and gift card fees, gift card breakage income and general liability insurance. Profit sharing incentive compensation expenses earned by our restaurant managing partners and market partners are also included in restaurant other operating expenses.

Pre-opening Expenses. Pre-opening expenses, which are charged to operations as incurred, consist of expenses incurred before the opening of a new restaurant and are comprised principally of opening team and training compensation and benefits, travel expenses, rent, food, beverage and other initial supplies and expenses. On average, over 70% of total pre-opening costs incurred per restaurant opening relate to the hiring and training of employees. Pre-opening costs vary by location depending on a number of factors, including the size and physical layout of each location; the number of management and hourly employees required to operate each restaurant; the availability of qualified restaurant staff members; the cost of travel and lodging for different geographic areas; the timing of the restaurant opening; and the extent of unexpected delays, if any, in obtaining final licenses and permits to open the restaurants.

Depreciation and Amortization Expenses. Depreciation and amortization expenses ("D&A") includes the depreciation of fixed assets and amortization of intangibles with definite lives, substantially all of which relates to restaurant-level assets.

Impairment and closure costs. Impairment and closure costs include any impairment of long-lived assets, including goodwill, associated with restaurants where the carrying amount of the asset is not recoverable and exceeds the fair value of the asset and expenses associated with the closure of a restaurant. Closure costs also include any gains or losses

associated with a relocated restaurant or the sale of a closed restaurant and/or assets held for sale as well as lease costs associated with closed or relocated restaurants.

General and Administrative Expenses. General and administrative expenses ("G&A") are comprised of expenses associated with corporate and administrative functions that support development and restaurant operations and provide an infrastructure to support future growth including the net amount of advertising costs incurred less amounts remitted by company and franchise restaurants. Supervision and accounting fees received from certain franchise restaurants are offset against G&A. G&A also includes share-based compensation expense related to executive officers, support center employees and area managers, including market partners. The realized and unrealized holding gains and losses related to the investments in our deferred compensation plan, as well as offsetting compensation expense, are also recorded in G&A.

Interest Expense, Net. Interest expense includes the cost of our debt or financing obligations including the amortization of loan fees, reduced by interest income and capitalized interest. Interest income includes earnings on cash and cash equivalents.

Equity Income from Unconsolidated Affiliates. As of December 29, 2015, we owned a 5.0% to 10.0% equity interest in 24 franchise restaurants. As of December 30, 2014 and December 31, 2013, we owned a 5.0% to 10.0% equity interest in 23 franchise restaurants. While we exercise significant control over these Texas Roadhouse franchise restaurants, we do not consolidate their financial position, results of operations or cash flows as it is immaterial to our consolidated financial position, results of operations and/or cash flows. Additionally, as of December 29, 2015 and December 30, 2014, we owned a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. Equity income from unconsolidated affiliates represents our percentage share of net income earned by these unconsolidated affiliates.

Net Income Attributable to Noncontrolling Interests. Net income attributable to noncontrolling interests represents the portion of income attributable to the other owners of the majority-owned restaurants. Our consolidated subsidiaries at December 29, 2015 and December 30, 2014 included 16 majority-owned restaurants, all of which were open. Our consolidated subsidiaries at December 31, 2013 included 15 majority-owned restaurants, all of which were open.

2015 Financial Highlights

Total revenue increased \$225.2 million or 14.2% to \$1.8 billion in 2015 compared to \$1.6 billion in 2014 primarily due to the opening of new restaurants combined with an increase in average unit volume driven by comparable restaurant sales growth. Comparable restaurant sales growth increased 7.2% at company restaurants in 2015.

Restaurant margin, as a percentage of restaurant sales, decreased 30 basis points to 17.3% in 2015 compared to 17.6% in 2014 primarily due to commodity inflation in 2015.

Net income increased \$9.9 million or 11.3% to \$96.9 million in 2015 compared to \$87.0 in 2014 primarily due to the increase in restaurant margin partially offset by higher G&A and depreciation costs. Diluted earnings per share increased 11.1% to \$1.37 from \$1.23 in the prior year.

	Results of Operations					
	Fiscal Year					
	2015		2014		2013	
	\$	%	\$	%	\$	%
(In thousands)						
Consolidated Statements of Income:						
Revenue:						
Restaurant sales	1,791,446	99.1	1,568,556	99.1	1,410,118	99.1
Franchise royalties and fees	15,922	0.9	13,592	0.9	12,467	0.9
Total revenue	1,807,368	100.0	1,582,148	100.0	1,422,585	100.0
Costs and expenses:						
<i>(As a percentage of restaurant sales)</i>						
Restaurant operating costs (excluding depreciation and amortization shown separately below):						
Cost of sales	644,001	35.9	553,144	35.3	492,306	34.9
Labor	524,203	29.3	459,119	29.3	411,394	29.2
Rent	37,183	2.1	33,174	2.1	28,978	2.1
Other operating	275,296	15.4	246,339	15.7	224,882	15.9
<i>(As a percentage of total revenue)</i>						
Pre-opening	19,116	1.1	18,452	1.2	17,891	1.3
Depreciation and amortization	69,694	3.9	59,179	3.7	51,562	3.6
Impairment and closure	974	0.1	636	NM	399	NM
Gain on sale of other concept	—	—	—	—	(1,800)	(0.1)
General and administrative	92,336	5.1	81,656	5.2	77,258	5.4
Total costs and expenses	1,662,803	92.0	1,451,699	91.8	1,302,870	91.6
Income from operations	144,565	8.0	130,449	8.2	119,715	8.4
Interest expense, net	1,959	0.1	2,084	0.1	2,201	0.2
Equity income from investments in unconsolidated affiliates	(1,641)	(0.1)	(1,602)	(0.1)	(713)	(0.1)
Income before taxes	144,247	8.0	129,967	8.2	118,227	8.3
Provision for income taxes	42,986	2.4	38,990	2.5	34,140	2.4
Net income including noncontrolling interests	101,261	5.6	90,977	5.7	84,087	5.9
Net income attributable to noncontrolling interests	4,367	0.2	3,955	0.3	3,664	0.3
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	96,894	5.4	87,022	5.4	80,423	5.7
	Fiscal Year					
	2015		2014		2013	
	\$	%	\$	%	\$	%
Restaurant margin (\$ in thousands)	310,762	17.3	276,782	17.6	252,559	17.9
Restaurant margin \$/store week	15,523		14,909		14,493	

NM – Not meaningful

Restaurant Unit Activity

	Company	Franchise	Total
Balance at December 25, 2012	320	72	392
Texas Roadhouse	25	4	29
Bubba's 33	1	—	1
Acquisitions from franchisees	2	(2)	—
Closures	(2)	—	(2)
Balance at December 31, 2013	346	74	420
Texas Roadhouse	22	6	28
Bubba's 33	2	—	2
Jaggers	1	—	1
Acquisitions from franchisees	1	(1)	—
Balance at December 30, 2014	372	79	451
Texas Roadhouse	24	3	27
Bubba's 33	4	—	4
Jaggers	1	—	1
Balance at December 29, 2015	401	82	483

Restaurant Sales

Restaurant sales increased by 14.2% in 2015 as compared to 2014 and increased 11.2% in 2014 as compared to 2013. The following table summarizes certain key drivers and/or attributes of restaurant sales at company restaurants for the periods presented. Although 2013 contained 53 weeks, for comparative purposes, 2013 average unit volume was adjusted to a 52-week basis. Company restaurant count activity is shown in the restaurant unit activity table above.

	2015	2014	2013
Company Restaurants			
Increase in store weeks	7.8 %	6.5 %	9.3 %
Increase in average unit volume	7.2	4.0	2.7
Other(1)	(0.8)	0.7	0.6
Total increase in restaurant sales	14.2 %	11.2 %	12.6 %
Store weeks	20,020	18,565	17,426
Comparable restaurant sales growth	7.2 %	4.7 %	3.4 %
Texas Roadhouse restaurants only:			
Comparable restaurant sales growth	7.2 %	4.7 %	3.4 %
Average unit volume (in thousands)	\$ 4,664	\$ 4,351	\$ 4,186

- (1) Includes the impact of the year-over-year change in sales volume of all non-Texas Roadhouse restaurants, along with Texas Roadhouse restaurants open less than six months before the beginning of the period measured, and, if applicable, the impact of restaurants closed or acquired during the period.

The increase in restaurant sales for all periods presented were primarily attributable to the opening of new restaurants combined with an increase in average unit volume driven by comparable restaurant sales growth. In addition, restaurant sales growth for both 2014 and 2013 was impacted by an extra operating week in 2013 which generated \$32.0 million of restaurant sales. The extra week resulted in a 2.6% negative impact on the increase in restaurant sales in 2014 compared to 2013.

Comparable restaurant sales growth for all periods presented was due to an increase in our guest traffic counts and an increase in our per person average check as shown in the table below.

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	2015	2014	2013
Guest traffic counts	5.4 %	3.2 %	1.0 %
Per person average check	1.8 %	1.5 %	2.4 %
Comparable restaurant sales growth	7.2 %	4.7 %	3.4 %

Year-over-year sales for newer restaurants included in our average unit volume, but excluded from our comparable restaurant sales, partially offset the impact of positive comparable restaurant sales growth in 2014 and 2013.

The increase in our per person average check for the periods presented was primarily driven by menu price increases shown below, which were taken as a result of inflationary pressures, primarily commodities.

	Menu Price Increases
Q4 2015	2.0%
Q4 2014	1.8%
Q4 2013	1.5%
Q4 2012	2.2%

In 2016, we plan to open approximately 30 company restaurants. While the majority of our restaurant growth in 2016 will be Texas Roadhouse restaurants, we currently expect to open approximately seven Bubba's 33 restaurants in 2016. We have either begun construction or have sites under contract for purchase or lease for all of our expected 2016 openings.

Franchise Royalties and Fees

Franchise royalties and fees increased by \$2.3 million or by 17.1% in 2015 as compared to 2014 and increased by \$1.1 million or by 9.0% in 2014 compared to 2013. The increase in 2015 was primarily attributable to the opening of new franchise restaurants, an increase in average unit volume, and an increase in royalty rates in conjunction with the renewal of certain franchise agreements. The increase in 2014 was primarily attributable to the opening of new franchise restaurants and an increase in average unit volume, partially offset by the impact of franchise acquisitions. Franchise comparable restaurant sales increased 6.5% in 2015 and 4.9% in 2014 and franchise restaurant count activity is shown in the restaurant unit activity table above.

We anticipate our existing franchise partners will open as many as six, primarily international, Texas Roadhouse restaurants in 2016.

Restaurant Cost of Sales

Restaurant cost of sales, as a percentage of restaurant sales, increased to 35.9% in 2015 from 35.3% in 2014 and from 34.9% in 2013. The increases were primarily attributable to commodity inflation in 2015 and 2014, partially offset by menu pricing actions and the benefit of operating efficiencies associated with process improvements at the restaurant level. Commodity inflation of approximately 4.9% in 2015 and approximately 3.4% in 2014 was driven by higher food costs, primarily beef. Recent menu pricing actions are summarized in our discussion of restaurant sales above.

For 2016, we have fixed price contracts for approximately 65% of our overall food costs with the remainder subject to fluctuating market prices. We expect 1.0% to 2.0% food cost deflation in 2016.

Restaurant Labor Expenses

Restaurant labor expenses, as a percentage of restaurant sales, remained unchanged at 29.3% in 2015 compared to 2014. The benefit from the increase in average unit volume was offset by higher average wage rates and higher costs associated with health insurance. At the beginning of 2015, as required by the Patient Protection and Affordable Care Act of 2010, we further extended our health care coverage to a greater number of our hourly employees which resulted in additional health insurance costs of approximately \$4.5 million.

In 2016, we anticipate our labor costs will be pressured by inflation due to increases in minimum and tip wage rates. These increases in costs may or may not be offset by additional menu price adjustments and/or guest traffic growth.

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Restaurant labor expenses, as a percentage of restaurant sales, increased to 29.3% in 2014 from 29.2% in 2013. The increase was primarily driven by higher average wage rates and higher costs associated with restaurant cleaning and health insurance partially offset by an increase in average unit volume. In 2014, we reclassified certain restaurant cleaning costs from restaurant other operating expenses to restaurant labor expenses and, as a result, this reclassification had no impact on restaurant margin. In 2014, health insurance costs were higher by approximately \$3.0 million due to an increase in premiums, along with offering coverage to an expanded population of employees.

Restaurant Rent Expense

Restaurant rent expense, as a percentage of restaurant sales, remained unchanged at 2.1% in 2015 compared to 2014 and 2013. In all periods presented, the benefit from an increase in average unit volume was offset by an increase in rent expense, as a percentage of restaurant sales, related to newer restaurants.

Restaurant Other Operating Expenses

Restaurant other operating expenses, as a percentage of restaurant sales, decreased to 15.4% in 2015 from 15.7% in 2014. This decrease was primarily attributable to an increase in average unit volume and lower costs associated with supplies and utilities, partially offset by higher third party gift card fees.

Utility costs were lower primarily due to lower natural gas rates. Lower supply costs were primarily driven by purchasing initiatives. Higher third party gift card fees were primarily due to the continued expansion of our third-party gift card program.

Restaurant other operating expenses, as a percentage of restaurant sales, decreased to 15.7% in 2014 from 15.9% in 2013. This decrease was primarily attributable to an increase in average unit volume and lower costs associated with liquor taxes, restaurant cleaning, and linens, partially offset by higher costs associated with gift card fees, general liability self-insurance and utility costs.

Lower liquor taxes were a result of legislative changes in Texas which lowered our tax rate associated with liquor sales effective at the beginning of 2014. Lower restaurant cleaning costs were due to the reclassification of wages discussed above under restaurant labor, while lower linen costs were primarily driven by purchasing initiatives. Higher gift card fees were primarily due to the continued expansion of our third-party gift card program. Higher general liability insurance was driven by a \$1.3 million reduction in general liability insurance costs recorded in 2013 compared to a \$0.4 million reduction in costs recorded in 2014 due to changes in our claims development history included in our quarterly actuarial reserve estimate. Utility costs in 2014 were driven by higher natural gas prices.

Restaurant Pre-opening Expenses

Pre-opening expenses in 2015 increased to \$19.1 million from \$18.5 million in 2014. The increase is primarily due to the number of restaurant openings in 2015 compared to 2014 and the timing of restaurant openings. In 2015, we opened 29 company restaurants compared to 25 restaurants in 2014. Pre-opening costs will fluctuate from period to period based on the specific pre-opening costs incurred for each restaurant, the number and timing of restaurant openings and the number and timing of restaurant managers hired.

Pre-opening expenses in 2014 increased to \$18.5 million from \$17.9 million in 2013. The increase was primarily attributable to increased spending on a per store basis mostly due to the timing of restaurant openings. While we opened one less restaurant in 2014 compared to 2013, unexpected delays in restaurant openings throughout the year resulted in higher pre-opening costs primarily related to restaurant manager compensation.

Depreciation and Amortization Expenses ("D&A")

D&A, as a percentage of revenue, increased to 3.9% in 2015 from 3.7% in 2014. The increase was primarily due to increased investment in short-lived assets, such as equipment, and higher depreciation, as a percentage of revenue, at new restaurants, partially offset by an increase in average unit volume.

In 2016, we expect D&A, as a percentage of revenue, to be higher than the prior year due to an increase in our capitalized costs related to restaurants opened in 2015 and 2016, along with an increase in the level of reinvestment in our existing restaurants.

D&A, as a percentage of revenue, increased to 3.7% in 2014 from 3.6% in 2013. The increase was primarily due to higher depreciation, as a percentage of revenue, at new restaurants, and increased investment in short-lived assets, such as equipment, along with the impact of an extra week of sales in 2013. The increase was partially offset by an increase in average unit volume and the impact of a \$0.7 million increase in expense recorded in the fourth quarter of 2013 due to shortening the estimated useful life of certain leasehold improvements.

Impairment and Closure Expenses

Impairment and closure expenses were \$1.0 million, \$0.6 million and \$0.4 million in 2015, 2014 and 2013, respectively. In 2015, we recorded \$1.0 million of closure costs related to the relocation of two restaurants. In 2014, we recorded \$0.6 million of impairment expense associated with the goodwill related to one restaurant. In 2013, we recorded \$0.3 million of impairment expense associated with the write down of assets, primarily land and building, and ongoing closure costs related to a restaurant which closed in 2009 and subsequently sold in 2014. In addition, we recorded \$0.1 million of impairment expense associated with the write down of equipment and ongoing closure costs related to a restaurant which closed in 2012.

See note 15 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2015, 2014 and 2013, including the impairments of goodwill and other long-lived assets.

General and Administrative Expenses ("G&A")

G&A, as a percentage of total revenue, decreased to 5.1% in 2015 from 5.2% in 2014. The decrease was primarily attributable to an increase in average unit volume partially offset by higher share-based compensation and our continued investment in our infrastructure as we continue to develop more domestic and international restaurants. In 2015, higher share-based compensation costs were primarily driven by a higher stock price associated with the grants of restricted stock units on January 8, 2015 and achievement of performance criteria related to performance stock units which resulted in approximately \$4.7 million of additional expense. The restricted stock units were granted in conjunction with the execution of certain executive employment contracts and Board of Director grant agreements.

G&A, as a percentage of total revenue, decreased to 5.2% in 2014 from 5.4% in 2013. The decrease was primarily attributable to an increase in average unit volume and lower costs associated with our annual managing partner conference, along with lower marketing and employee separation costs. This decrease was partially offset by higher costs due to our continued investment in our infrastructure and the impact of the extra week in 2013. In 2014, we incurred costs of \$1.9 million related to our annual managing partner conference compared to \$3.9 million in 2013. Our annual managing partner conference costs were higher in 2013 compared to 2014 primarily due to the location of our conference in conjunction with the 20th anniversary of our first restaurant opening.

Interest Expense, Net

Net interest expense remained relatively flat at \$2.0 million in 2015 compared to \$2.1 million in 2014 which was relatively flat compared to \$2.2 million in 2013.

Income Taxes

We account for income taxes in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, *Income Taxes* ("ASC 740"). Our effective tax rate decreased to 29.8% in 2015 from 30.0% in 2014 primarily due to higher FICA tip credits as a percentage of pre-tax income. For 2016, we expect the tax rate to be approximately 30.0%.

Our effective tax rate increased to 30.0% in 2014 from 28.9% in 2013. The increase was primarily attributable to lower deductible incentive stock option activity, along with a decrease in certain federal tax credits. In the first quarter of 2013, the Work Opportunity Tax Credit ("WOTC"), which had expired at the end of 2011, was retrospectively reinstated. As a result, we recorded credits earned in both 2012 and 2013 in fiscal year 2013.

Liquidity and Capital Resources

The following table presents a summary of our net cash provided by (used in) operating, investing and financing activities (in thousands):

	Fiscal Year		
	2015	2014	2013
Net cash provided by operating activities	\$ 227,941	\$ 191,713	\$ 173,836
Net cash used in investing activities	(173,203)	(124,240)	(111,248)
Net cash used in financing activities	(81,526)	(76,225)	(49,460)
Net (decrease) increase in cash and cash equivalents	\$ (26,788)	\$ (8,752)	\$ 13,128

Net cash provided by operating activities was \$227.9 million in 2015 compared to \$191.7 million in 2014. The increase was primarily attributed to an increase in net income, depreciation and amortization expense, higher share-based compensation expense and deferred revenue related to gift cards. The increase in cash flow from operations was primarily driven by an increase in comparable restaurant sales at existing restaurants and the continued opening of new restaurants partially offset by higher commodity inflation, primarily beef. The increase in deferred revenue related to gift cards was primarily due to higher gift card sales.

Net cash provided by operating activities was \$191.7 million in 2014 compared to \$173.8 million in 2013. This increase was primarily due to an increase in net income, depreciation and amortization expense and deferred revenue related to gift cards, partially offset by other changes in working capital. The increase in cash flow from operations, particularly depreciation and amortization expense, was driven by the continued opening of new restaurants and an increase in comparable restaurant sales at existing restaurants. The increase in deferred revenue related to gift cards was primarily due to higher gift card sales.

Our operations have not required significant working capital and, like many restaurant companies, we have been able to operate with negative working capital. Sales are primarily for cash, and restaurant operations do not require significant inventories or receivables. In addition, we receive trade credit for the purchase of food, beverages and supplies, thereby reducing the need for incremental working capital to support growth.

Net cash used in investing activities was \$173.2 million in 2015 compared to \$124.2 million in 2014. This increase was primarily due to increase spending on capital expenditures related to new restaurant openings along with capital expenditures related to the refurbishment of existing restaurants such as remodeling, room additions and general maintenance. We opened 29 company restaurants in 2015 compared to 25 restaurants in 2014. Capital expenditures in 2015 related to restaurant openings in future years was approximately \$35.3 million compared to approximately \$16.0 million in 2014.

Net cash used in investing activities was \$124.2 million in 2014 compared to \$111.2 million in 2013. The increase was primarily due to an increase in capital expenditures related to the refurbishment of existing restaurants, such as remodeling, room additions and other general maintenance, partially offset by a decrease in capital expenditures related to new restaurant openings. While our average capital investment in Texas Roadhouse restaurants opened in 2014 was \$5.1 million compared to \$4.1 million in 2013, a significant amount of capital expenditures related to 2014 openings was incurred in 2013. Capital expenditures in 2014 related to restaurant openings in future years was approximately \$16.0 million compared to approximately \$23.0 million in 2013.

We require capital principally for the development of new company restaurants, the refurbishment of existing restaurants and the acquisition of franchise restaurants, if any. We either lease our restaurant site locations under operating leases for periods of five to 30 years (including renewal periods) or purchase the land where it is cost effective. As of December 29, 2015, 130 of the 401 company restaurants have been developed on land which we own.

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The following table presents a summary of capital expenditures related to the development of new restaurants and the refurbishment of existing restaurants (in thousands):

	2015	2014	2013
New company restaurants	\$ 117,283	\$ 78,873	\$ 80,149
Refurbishment of existing restaurants(1)	56,192	46,572	31,329
Total capital expenditures	<u>\$ 173,475</u>	<u>\$ 125,445</u>	<u>\$ 111,478</u>
Restaurant-related repairs and maintenance expense(2)	\$ 20,607	\$ 17,926	\$ 15,865

- (1) Includes minimal capital expenditures related to support center office.
(2) These amounts were recorded as an expense in the income statement as incurred.

Our future capital requirements will primarily depend on the number of new restaurants we open, the timing of those openings and the restaurant prototype developed in a given fiscal year. These requirements will include costs directly related to opening new restaurants and may also include costs necessary to ensure that our infrastructure is able to support a larger restaurant base. In 2016, we expect our capital expenditures to be approximately \$165.0 to \$175.0 million, the majority of which will relate to planned restaurant openings, including approximately 30 restaurant openings in 2016. This amount excludes any cash used for franchise acquisitions. We intend to satisfy our capital requirements over the next 12 months with cash on hand, net cash provided by operating activities and, if needed, funds available under our amended credit facility. For 2016, we anticipate net cash provided by operating activities will exceed capital expenditures, which we currently plan to use to repurchase common stock, pay dividends, as approved by our Board of Directors, and/or repay borrowings under our amended credit facility.

Net cash used in financing activities was \$81.5 million in 2015 compared to \$76.2 million in 2014. The increase is primarily due to repayments on the amended revolving credit facility and higher dividend payments partially offset by a decrease in spending on share repurchases. Dividend payments were higher in 2015 due to the timing of the dividend declaration and payment dates in the first quarter.

Net cash used in financing activities was \$76.2 million in 2014 compared to \$49.5 million in 2013. The increase was primarily due to an increase in spending on share repurchases along with a decrease in proceeds from the exercise of stock options. This increase was partially offset by lower dividend payments in 2014 due to the timing of the declaration and payment dates and the extra dividend declared in the fourth quarter of 2012.

On May 22, 2014, our Board of Directors approved a stock repurchase program under which it authorized us to repurchase up to \$100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations. During 2015, we paid approximately \$11.4 million to repurchase 321,789 shares of our common stock and we had \$74.0 million remaining under our authorized stock repurchase program as of December 29, 2015.

We paid cash dividends of \$46.2 million in 2015. On November 19, 2015, our Board of Directors authorized the payment of a regularly quarterly cash dividend of \$0.17 per share of common stock to shareholders of record at the close of business on December 16, 2015. This payment was distributed on December 31, 2015. On February 19, 2016, our Board of Directors authorized the payment of a quarterly cash dividend of \$0.19 per share of common stock. This payment will be distributed on April 1, 2016 to shareholders of record at the close of business on March 16, 2016. The increase in the dividend per share amount reflects the increase in our regular annual dividend rate from \$0.68 per share in 2015 to \$0.76 per share in 2016. The declaration and payment of cash dividends on our common stock is at the discretion of our Board of Directors, and any decision to declare a dividend will be based on a number of factors, including, but not limited to, earnings, financial condition, applicable covenants under our credit facility and other contractual restrictions, or other factors deemed relevant.

In 2015, we paid distributions of \$3.9 million to equity holders of 16 of our majority-owned restaurants. We paid distributions of \$3.9 million and \$3.1 million to equity holders of 15 of our majority-owned company restaurants in both 2014 and 2013.

On November 1, 2013, we entered into Omnibus Amendment No. 1 and Consent to Credit Agreement and Guaranty with respect to our revolving credit facility dated as of August 12, 2011 with a syndicate of commercial lenders led by JP Morgan Chase Bank, N.A., PNC Bank, N.A., and Wells Fargo, N.A. The amended revolving credit facility, which has a maturity date of November 1, 2018, remains an unsecured, revolving credit agreement under which we may borrow up to \$200.0 million. The amendment provides us with the option to increase the revolving credit facility by \$200.0 million, up to \$400.0 million, subject to certain limitations.

The terms of the amended revolving credit facility require us to pay interest on outstanding borrowings at the London Interbank Offered Rate ("LIBOR") plus a margin of 0.875% to 1.875%, depending on our leverage ratio, or the Alternate Base Rate, which is the higher of the issuing bank's prime lending rate, the Federal Funds rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. We are also required to pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the revolving credit facility, depending on our leverage ratio. The weighted-average interest rate for the amended revolving credit facility at December 29, 2015 and December 30, 2014 was 3.22% and 3.96%, respectively, including the impact of interest rate swaps. At December 29, 2015, we had \$25.0 million outstanding under the revolving credit facility and \$168.4 million of availability, net of \$6.6 million of outstanding letters of credit.

The lenders' obligation to extend credit under the amended revolving credit facility depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The amended revolving credit facility permits us to incur additional secured or unsecured indebtedness outside the facility, except for the incurrence of secured indebtedness that in the aggregate exceeds 15% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants. We were in compliance with all covenants as of December 29, 2015.

At December 29, 2015, in addition to the amounts outstanding on our amended revolving credit facility, we had one other note payable totaling \$0.7 million with a fixed interest rate of 10.46%, which relates to the financing of a specific restaurant. Our weighted-average effective interest rate at December 29, 2015 was 3.22%, including the impact of the interest rate swap discussed below.

On January 7, 2009, we entered into an interest rate swap, starting on February 7, 2009, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our amended revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the \$25.0 million notional amount and receive payments from the counterparty based on the one month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate on the \$25.0 million notional amount. Our counterparty in the interest rate swap is JP Morgan Chase Bank, N.A. Changes in the fair value of the interest rate swap will be reported as a component of accumulated other comprehensive income (loss).

Contractual Obligations

The following table summarizes the amount of payments due under specified contractual obligations as of December 29, 2015 (in thousands):

	Payments Due by Period				
	Total	Less than 1 year	1 - 3 Years	3 - 5 Years	More than 5 years
Long-term debt obligations	\$ 25,694	\$ 144	25,336	214	\$ —
Interest(1)	676	86	577	13	—
Operating lease obligations	715,390	37,909	76,966	76,135	524,380
Capital obligations	129,380	129,380	—	—	—
Total contractual obligations(2)	\$ 871,140	\$ 167,519	\$ 102,879	\$ 76,362	\$ 524,380

- (1) Uses interest rates as of December 29, 2015 for our variable rate debt. Additionally, we have assumed that the debt relating to the interest rate swap covering a notional amount totaling \$25.0 million remains outstanding after the termination of the interest rate swap. For the remaining term of the interest rate swap, we calculated interest payments by taking the applicable fixed rate of the interest rate swap plus the 0.875% margin, which was in effect as of December 29, 2015. After the termination of the interest rate swap, we calculated interest rate payments using the weighted average interest rate of 1.14%, which was the interest rate associated with our amended revolving credit facility at December 29, 2015. We assumed a constant rate until maturity for our fixed rate debt.
- (2) Unrecognized tax benefits under Accounting Standards Codification ("ASC") 740 are immaterial and, therefore, are excluded from this amount.

The Company has no material minimum purchase commitments with its vendors that extend beyond a year. See notes 4 and 7 to the Consolidated Financial Statements for details of contractual obligations.

Off-Balance Sheet Arrangements

Except for operating leases (primarily restaurant leases), we do not have any off-balance sheet arrangements.

Guarantees

Effective December 31, 2013, we sold two restaurants, which operated under the name Aspen Creek, located in Irving, TX and Louisville, KY. We assigned the leases associated with these restaurants to the acquirer, but remain contingently liable under the terms of the lease if the acquirer defaults. We are contingently liable for the initial term of the lease and any renewal periods. The Irving lease has an initial term that expires December 2019, along with three five-year renewals. The Louisville lease has an initial term that expires November 2023, along with three five-year renewals. The assignment of the Louisville lease releases us from liability after the initial lease term expiration contingent upon certain conditions being met by the acquirer.

We entered into real estate lease agreements for five restaurant locations, listed in the table below, before granting franchise rights for those restaurants. We have subsequently assigned the leases to the franchisees, but remain contingently liable if a franchisee defaults, under the terms of the lease.

	Lease Assignment Date	Lease Term Expiration
Everett, Massachusetts(1)	September 2002	February 2018
Longmont, Colorado	October 2003	May 2019
Montgomeryville, Pennsylvania	October 2004	June 2021
Fargo, North Dakota(1)	February 2006	July 2021
Logan, Utah	January 2009	August 2019

- (1) As discussed in note 12, these restaurants are owned, in whole or part, by certain officers, directors and 5% shareholders of the Company.

We are contingently liable for the initial term of the lease and any renewal periods. All of the leases have three five-year renewals.

As of December 29, 2015 and December 30, 2014, we are contingently liable for \$17.2 million and \$18.0 million, respectively, for the seven leases discussed above. These amounts represent the maximum potential liability of future payments under the guarantees. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of December 29, 2015 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

Recent Accounting Pronouncements

Revenue Recognition ***(Accounting Standards Update 2014-09, "ASU 2014-09")***

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of the effective date of the new revenue standard. ASU 2014-09 is now effective for fiscal years beginning on or after December 15, 2017 (our 2018 fiscal year), including interim periods within those annual periods, with early adoption permitted in the first quarter of 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The standard will not impact our recognition of revenue from company-owned restaurants or our recognition of continuing fees from franchisees, which are based on a percentage of franchise sales. We are continuing to evaluate the impact the adoption of this standard will have on the recognition of other less significant revenue transactions such as initial fees from franchisees.

Consolidation ***(Accounting Standards Update 2015-02, "ASU 2015-02")***

In February 2015, the FASB issued ASU 2015-02, *Consolidation: Amendments to the Consolidation Analysis*, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015 (our 2016 fiscal year). A reporting entity may apply the amendments using a modified retrospective approach or a full retrospective application. The adoption of this guidance is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

Software Licenses ***(Accounting Standards Update 2015-05, "ASU 2015-05")***

In April 2015, the FASB issued ASU 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance about whether a cloud computing arrangement includes a software license. ASU 2015-05 is effective for annual and interim periods beginning after December 15, 2015 (our 2016 fiscal year). The adoption of this guidance is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

Inventory ***(Accounting Standards Update 2015-11, "ASU 2015-11")***

In July 2015, the FASB issued ASU 2015-11, *Inventory*, which simplifies the measurement principle of inventories valued under the First-In, First-Out ("FIFO") or weighted average methods from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 (our 2017 fiscal year) including interim periods within those annual periods. We do not expect the standard to have a material impact on our consolidated financial position, results of operations or cash flows upon adoption.

Deferred Taxes ***(Accounting Standards Update 2015-17, "ASU 2015-17")***

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires that deferred tax assets and liabilities be classified as noncurrent on the consolidated balance sheet. ASU 2015-17 is effective for annual periods beginning after December 15, 2016 (our 2017 fiscal year), including interim periods within those annual periods. Early adoption is permitted as of the beginning of an interim or annual reporting period. Upon

adoption, ASU 2015-17 may be applied either prospectively or retrospectively. We do not expect the adoption of this guidance to have a material impact on our consolidated financial position, results of operations or cash flows.

Critical Accounting Policies and Estimates

The above discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and disclosures of contingent assets and liabilities. Our significant accounting policies are described in note 2 to the accompanying consolidated financial statements. Critical accounting policies are those that we believe are most important to portraying our financial condition and results of operations and also require the greatest amount of subjective or complex judgments by management. Judgments or uncertainties regarding the application of these policies may result in materially different amounts being reported under different conditions or using different assumptions. We consider the following policies to be the most critical in understanding the judgments that are involved in preparing the consolidated financial statements.

Impairment of Long-lived Assets. We evaluate long-lived assets related to each restaurant to be held and used in the business, such as property and equipment and intangible assets subject to amortization, for impairment whenever events and circumstances indicate that the carrying amount of a restaurant may not be recoverable. When we evaluate restaurants, cash flows are the primary indicator of impairment. Recoverability of assets to be held and used is measured by comparison of the carrying amount of the restaurant to estimated undiscounted future cash flows expected to be generated by the restaurant. Under our policies, trailing 12-month cash flow results below \$300,000 at the individual restaurant level signals a potential impairment. In our evaluation of restaurants that do not meet the cash flow threshold, we estimate future undiscounted cash flows from operating the restaurant over its estimated useful life, which can be a period of over 20 years. In the estimation of future cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods and expectations for future sales growth. We limit assumptions about important factors such as trend of future operations and sales growth to those that are supportable based upon our plans for the restaurant and actual results at comparable restaurants. Both qualitative and quantitative information are considered when evaluating for potential impairments. As we assess the ongoing expected cash flows and carrying amounts of our long-lived assets, these factors could cause us to realize a material impairment charge.

If assets are determined to be impaired, we measure the impairment charge by calculating the amount by which the asset carrying amount exceeds its fair value. The determination of asset fair value is also subject to significant judgment. We generally measure estimated fair value by independent third party appraisal or discounting estimated future cash flows. When fair value is measured by discounting estimated future cash flows, the assumptions used are consistent with what we believe hypothetical market participants would use. We also use a discount rate that is commensurate with the risk inherent in the projected cash flows. If these assumptions change in the future, we may be required to record impairment charges for these assets.

At December 29, 2015, we had 10 restaurants whose trailing 12-month cash flows did not meet the \$300,000 threshold. However, the future undiscounted cash flows from operating each of these restaurants over their remaining estimated useful lives exceeded the \$18.0 million remaining carrying value of their assets and no assets were determined to be impaired.

See note 15 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2015, 2014 and 2013, including the impairments of goodwill and other long-lived assets.

Goodwill. Goodwill is tested annually for impairment, and is tested more frequently if events and circumstances indicate that the asset might be impaired. We have assigned goodwill to the reporting unit, which we consider to be the individual restaurant level. An impairment loss is recognized to the extent that the carrying amount exceeds the implied fair value of goodwill. The determination of impairment consists of two steps. First, we determine the fair value of the reporting unit and compare it to its carrying amount. The fair value of the reporting unit may be based on several valuation approaches including capitalization of earnings, discounted cash flows, comparable public company market multiples and comparable acquisition market multiples. Second, if the carrying amount of the reporting unit exceeds its fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of the goodwill. The implied fair value of goodwill is determined by allocating the fair value of the

reporting unit, in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill.

The valuation approaches used to determine fair value are subject to key judgments and assumptions that are sensitive to change such as appropriate revenue growth rates, operating margins, weighted average cost of capital, and comparable company and acquisition market multiples. In estimating the fair value using the capitalization of earnings or discounted cash flows method we consider the period of time the restaurant has been open, the trend of operations over such period and future periods, expectations of future sales growth and terminal value. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. When developing these key judgments and assumptions, we consider economic, operational and market conditions that could impact fair value. The judgments and assumptions used are consistent with what we believe hypothetical market participants would use. However, estimates are inherently uncertain and represent only our reasonable expectations regarding future developments. If the estimates used in performing the impairment test prove inaccurate, the fair value of the restaurants may ultimately prove to be significantly lower, thereby causing the carrying value to exceed the fair value and indicating impairment has occurred.

At December 29, 2015, we had 65 reporting units, primarily at the restaurant level, with allocated goodwill of \$116.6 million. The average amount of goodwill associated with each reporting unit is \$1.7 million with six reporting units having goodwill in excess of \$4.0 million. We did not record any impairment charges as a result of our annual impairment analysis in 2015. Based on our estimate of fair value, we are currently monitoring two restaurants with total goodwill of \$4.9 million and excess fair value over net book value of 12.9% for potential impairment. Since we determine the fair value of goodwill at the restaurant level, any significant decreases in cash flows at these restaurants or others could trigger an impairment charge in the future. The fair value of each of our other reporting units was substantially in excess of their respective carrying values as of the 2015 goodwill impairment test. See note 15 in the Consolidated Financial Statements for further discussion regarding closures and impairments recorded in 2015, 2014 and 2013, including the impairments of goodwill and other long-lived assets.

Insurance Reserves. We self-insure a significant portion of expected losses under our health, workers compensation, general liability, employment practices liability and property insurance programs. We purchase insurance for individual claims that exceed the retention amounts listed below:

Employment practices liability/Class Action	\$250,000 / \$2,000,000
Workers compensation	\$350,000
General liability	\$250,000
Employee healthcare	\$250,000

In addition, we purchase property insurance for claims that exceed \$50,000 after an aggregate deductible of \$250,000.

We record a liability for unresolved claims and for an estimate of incurred but not reported claims based on estimates provided by management, a third party administrator and/or an actuary. Our estimated liability is based on a number of assumptions and factors regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. We also monitor actuarial observations of historical claim development for the industry. Our assumptions are reviewed, monitored, and adjusted when warranted by changing circumstances.

Income Taxes. We account for income taxes in accordance with ASC 740 under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made.

Uncertain tax positions are accounted for under FASB ASC 740. FASB ASC 740 requires that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon settlement.

Leases and Leasehold Improvements. We lease land, buildings and/or certain equipment for the majority of our restaurants under non-cancelable lease agreements. Our land and/or building leases typically have initial terms ranging from ten to 15 years, and certain renewal options for one or more five-year periods. We account for leases in accordance with ASC 840, *Leases*, and other related authoritative guidance. When determining the lease term, we include option periods for which failure to renew the lease imposes a penalty on us in such an amount that a renewal appears, at the inception of the lease, to be reasonably assured. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements which might become impaired if we choose not to continue the use of the leased property.

Certain of our operating leases contain predetermined fixed escalations of the minimum rent during the original term of the lease. For these leases, we recognize the related rent expense on a straight-line basis over the lease term and record the difference between the amounts charged to operations and amounts paid as deferred rent. We generally do not receive rent concessions or leasehold improvement incentives upon opening a restaurant that is subject to a lease. We may receive rent holidays, which would begin on the possession date and end when the lease commences, during which no cash rent payments are typically due under the terms of the lease. Rent holidays are included in the lease term when determining straight-line rent expense.

Additionally, certain of our operating leases contain clauses that provide for additional contingent rent based on a percentage of sales greater than certain specified target amounts. We recognize contingent rent expense prior to the achievement of the specified target that triggers the contingent rent, provided achievement of the target is considered probable. This may result in some variability in rent expense as a percentage of revenues over the term of the lease in restaurants where we pay contingent rent.

The judgment regarding the probable term for each restaurant property lease impacts the classification and accounting for a lease as capital or operating, the rent holiday and/or escalation in payments that are taken into consideration when calculating straight-line rent and the term over which leasehold improvements for each restaurant are amortized. The material factor we consider when making this judgment is the total amount invested in the restaurant at the inception of the lease and whether management believes that renewal appears reasonably assured. While a different term may produce materially different amounts of depreciation, amortization and rent expense than reported, our historical lease renewal rates support the judgments made. We have not made any changes to the nature of the assumptions used to account for leases in any of the fiscal years presented in our consolidated financial statements.

Effects of Inflation

We have not operated in a period of high general inflation for the last several years; however, we have experienced material increases in certain commodity costs, specifically beef. In addition, a significant number of our team members are paid at rates related to the federal and/or state minimum wage and, accordingly, increases in minimum wage have increased our labor costs for the last several years. We have increased menu prices and made other adjustments over the past few years, in an effort to offset increases in our restaurant and operating costs resulting from inflation. Whether we are able and/or choose to continue to offset the effects of inflation will determine to what extent, if any, inflation affects our restaurant profitability in future periods.

ITEM 7A—QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk from changes in interest rates on debt and changes in commodity prices. Our exposure to interest rate fluctuations is limited to our outstanding bank debt. The terms of the revolving credit facility require us to pay interest on outstanding borrowings at London Interbank Offering Rate ("LIBOR") plus a margin of 0.875% to 1.875%, depending on our leverage ratio, or the Alternate Base Rate, which is the higher of the issuing bank's prime lending rate, the Federal Funds rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. At December 29, 2015, we had \$25.0 million outstanding under the amended revolving credit facility, which bears interest at approximately 87.5 to 187.5 basis points (depending on our leverage ratios) over LIBOR. We had notes payable totaling \$0.7 million with fixed interest rate ranging of 10.46%. Should interest rates based on these variable rate borrowings increase by one percentage point, our estimated annual interest expense would increase by \$0.3 million after the impact of the interest rate swap as described below.

On January 7, 2009, we entered into an interest rate swap, starting February 7, 2009, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a

\$25.0 million tranche of floating rate debt borrowed under our amended revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the \$25.0 million notional amount and receive payments from the counterparty based on the one month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate LIBOR component of the \$25.0 million notional amount.

By using a derivative instrument to hedge exposures to changes in interest rates, we expose ourselves to credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. We minimize the credit risk by entering into transactions with high-quality counterparties whose credit rating is evaluated on a quarterly basis. Our counterparty in the interest rate swaps is JP Morgan Chase Bank, N.A.

In an effort to secure high quality, low cost ingredients used in the products sold in our restaurants, we employ various purchasing and pricing contract techniques. When purchasing certain types of commodities, we may be subject to prevailing market conditions resulting in unpredictable price volatility. For certain commodities, we may also enter into contracts for terms of one year or less that are either fixed price agreements or fixed volume agreements where the price is negotiated with reference to fluctuating market prices. We currently do not use financial instruments to hedge commodity prices, but we will continue to evaluate their effectiveness. Extreme and/or long term increases in commodity prices could adversely affect our future results, especially if we are unable, primarily due to competitive reasons, to increase menu prices. Additionally, if there is a time lag between the increasing commodity prices and our ability to increase menu prices or if we believe the commodity price increase to be short in duration and we choose not to pass on the cost increases, our short-term financial results could be negatively affected.

We are subject to business risk as our beef supply is highly dependent upon three vendors. If these vendors were unable to fulfill their obligations under their contracts, we may encounter supply shortages and incur higher costs to secure adequate supplies, any of which would harm our business.

ITEM 8—FINANCIAL STATEMENTS AND SUPPLEMENTARY FINANCIAL DATA

See Index to Consolidated Financial Statements at Item 15.

ITEM 9—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A—CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures

We have evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to, and as defined in, Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on the evaluation, performed under the supervision and with the participation of our management, including the Chief Executive Officer (the "CEO") and the Chief Financial Officer (the "CFO"), our management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of December 29, 2015.

Changes in internal control

During the fourth quarter of 2015, there were no changes with respect to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Under Section 404 of the Sarbanes-Oxley Act of 2002, our management is required to assess the effectiveness of the Company's internal control over financial reporting as of the end of each fiscal year and report, based on that assessment, whether the Company's internal control over financial reporting is effective.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process

designed by, or under the supervision of, our principal executive and principal financial officers and effected by our board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Therefore, internal control over financial reporting determined to be effective can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Under the supervision and with the participation of our management, including our CEO and CFO, we assessed the effectiveness of the Company's internal control over financial reporting as of the end of the period covered by this report. In this assessment, the Company applied criteria based on the "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission. These criteria are in the areas of control environment, risk assessment, control activities, information and communication, and monitoring. The Company's assessment included documenting, evaluating and testing the design and operating effectiveness of its internal control over financial reporting. Based upon this evaluation, our management concluded that our internal control over financial reporting was effective as of December 29, 2015.

KPMG LLP, the independent registered public accounting firm that audited our Consolidated Financial Statements included in the Annual Report on Form 10-K, has also audited the effectiveness of the Company's internal control over financial reporting as of December 29, 2015 as stated in their report at F-2.

ITEM 9B—OTHER INFORMATION

None.

PART III

ITEM 10—DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding the directors of the Company is incorporated herein by reference to the information set forth under "Election of Directors" in the Proxy Statement for the 2016 Annual Meeting of Stockholders.

Information regarding executive officers of the Company has been included in Part I of this Annual Report under the caption "Executive Officers of the Company."

Information regarding corporate governance of the Company is incorporated herein by reference to the information set forth in the Proxy Statement for the 2016 Annual Meeting of Stockholders.

ITEM 11—EXECUTIVE COMPENSATION

Incorporated by reference from the Company's Definitive Proxy Statement to be dated approximately April 8, 2016.

ITEM 12—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Incorporated by reference from the Company's Definitive Proxy Statement to be dated approximately April 8, 2016.

ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from the Company's Definitive Proxy Statement to be dated approximately April 8, 2016.

ITEM 14—PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference from the Company's Definitive Proxy Statement to be dated approximately April 8, 2016.

PART IV

ITEM 15—EXHIBITS, FINANCIAL STATEMENT SCHEDULES

1. Consolidated Financial Statements

Description	Page Number in Report
Reports of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of December 29, 2015 and December 30, 2014	F-3
Consolidated Statements of Income and Comprehensive Income for the years ended December 29, 2015, December 30, 2014 and December 31, 2013	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 29, 2015, December 30, 2014 and December 31, 2013	F-5
Consolidated Statements of Cash Flows for the years ended December 29, 2015, December 30, 2014 and December 31, 2013	F-6
Notes to Consolidated Financial Statements	F-7

2. Financial Statement Schedules

Omitted due to inapplicability or because required information is shown in the Company's Consolidated Financial Statements or notes thereto.

3. Exhibits

Exhibit No.	Description
3.1	Form of Amended and Restated Certificate of Incorporation of Registrant (incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
3.2	Bylaws of Registrant (incorporated by reference to Exhibit 3.3 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
4.1	Registration Rights Agreement, dated as of May 7, 2004, among Registrant and others (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.1*	Texas Roadhouse, Inc. 2004 Equity Incentive Plan (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-8 of Registrant (File No. 333-121241))
10.2	Form of Director and Executive Officer Indemnification Agreement (incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.3	Form of Limited Partnership Agreement and Operating Agreement for certain company-managed Texas Roadhouse restaurants, including schedule of the owners of such restaurants and the aggregate interests held by directors, executive officers and 5% stockholders who are parties to such an agreement (incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.4	Lease Agreement dated as of November 1999, by and between TEAS II, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.13 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.5	Lease Agreement dated as of January 10, 2005 by and between TEAS IV, Inc. and Roadhouse of Bossier City, LLC (incorporated by reference to Exhibit 10.5 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.6	Form of Franchise Agreement and Preliminary Agreement for a Texas Roadhouse restaurant franchise, including schedule of directors, executive officers and 5% stockholders which have entered into either agreement (incorporated by reference to Exhibit 10.14 to the Registration Statement on Form S-1 of Registrant (File No. 333-115259))
10.7	Schedule of the owners of company-managed Texas Roadhouse restaurants and the interests held by directors, executive officers and 5% stockholders who are parties to Limited Partnership Agreements and Operating Agreements as of December 29, 2015 the form of which is set forth in Exhibit 10.3 of this Form 10-K

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Exhibit No.	Description
10.8	Schedule of the directors, executive officers and 5% stockholders which have entered into License Agreements, Franchise Agreements or Preliminary Agreements for a Texas Roadhouse Franchise as of December 29, 2015 the form of which is set forth in Exhibit 10.6 of this Form 10-K
10.9	Amended and Restated Credit Agreement, dated as of August 12, 2011, by and among Texas Roadhouse, Inc., the lenders named therein and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated August 17, 2011 (File No. 000-50972))
10.10	Omnibus Amendment No. 1 and Consent to Credit Agreement and Guaranty, dated as of November 1, 2013, by and among Texas Roadhouse, Inc., the lenders named therein and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated November 1, 2013 (File No. 000-50972))
10.11	Amended and Restated Lease Agreement (Two Paragon Centre) dated January 1, 2006 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.17 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 27, 2006) (File No. 000-50972))
10.12	First Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated December 18, 2006 between Paragon Centre Holdings LLC and Texas Roadhouse Holdings LLC (incorporated by reference to Exhibit 10.21 of Registrant's Annual Report on Form 10-K for the year ended December 26, 2006) (File No. 000-50972))
10.13	Second Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated May 10, 2007 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 26, 2007) (File No. 000-50972))
10.14	Third Amendment to Amended and Restated Lease Agreement (Two Paragon Centre) dated September 7, 2007 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.2 of the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 25, 2007) (File No. 000-50972))
10.15	Fourth Amendment dated July 22, 2009, and Fifth Amendment dated November 15, 2013, to Amended and Restated Lease Agreement (Two Paragon Centre) between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings, LLC (incorporated by reference to Exhibit 10.15 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.16*	Form of Restricted Stock Unit Award Agreement under the 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10.19 of Registrant's Annual Report on Form 10-K for the year ended December 25, 2007 (File No. 000-50972))
10.17*	Form of First Amendment to Restricted Stock Unit Award Agreement under the 2004 Equity Incentive Plan with non-management directors (incorporated by reference to Exhibit 10.20 of Registrant's Annual Report on Form 10-K for the year ended December 30, 2008 (File No. 000-50972))
10.18*	Amendment to Texas Roadhouse, Inc. 2004 Equity Incentive Plan (incorporated by reference to Exhibit 10.21 of Registrant's Annual Report on Form 10-K for the year ended December 30, 2008 (File No. 000-50972))
10.19*	Amended and Restated Employment Agreement between Registrant and G. Price Cooper, IV entered into as of January 8, 2010 (incorporated by reference to Exhibit 10.33 to Registrant's Current Report on Form 8-K dated August 18, 2011 (File No. 000-50972))
10.20*	Amended and Restated Employment Agreement between Registrant and W. Kent Taylor, entered into as of January 8, 2012 (incorporated by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2011 (File No. 000-50972))
10.21*	Amended and Restated Employment Agreement between Registrant and Scott M. Colosi, entered into as of January 8, 2012 (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2011 (File No. 000-50972))
10.22*	Amended and Restated Employment Agreement between Registrant and Steven L. Ortiz, entered into as of January 8, 2012 (incorporated by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2011 (File No. 000-50972))

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Exhibit No.	Description
10.23*	Amended and Restated Employment Agreement between Registrant and G. Price Cooper, IV, entered into as of January 8, 2012 (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the year ended December 27, 2011 (File No. 000-50972))
10.24*	First Amendment to Amended and Restated Employment Agreement between the Registrant and W. Kent Taylor, entered into as of November 30, 2012 (incorporated by reference to Exhibit 10.21 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))
10.25*	First Amendment to Amended and Restated Employment Agreement between the Registrant and Scott M. Colosi, entered into as of November 30, 2012 (incorporated by reference to Exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))
10.26*	First Amendment to Amended and Restated Employment Agreement between the Registrant and Steve L. Ortiz, entered into as of November 30, 2012 (incorporated by reference to Exhibit 10.23 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))
10.27*	First Amendment to Amended and Restated Employment Agreement between the Registrant and G. Price Cooper, IV, entered into as of November 30, 2012 (incorporated by reference to Exhibit 10.24 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))
10.28*	Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference from Appendix A to the Texas Roadhouse, Inc. Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 5, 2013 (File No. 000-50972))
10.29*	Form of Restricted Stock Award under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 25, 2013 (File No. 000-50972))
10.30*	Texas Roadhouse, Inc. Cash Bonus Plan for cash incentive awards granted pursuant to the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.3 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 25, 2013 (File No. 000-50972))
10.31*	Employment Agreement between the Registrant and Celia Catlett entered into as of January 15, 2014 (incorporated by reference to Exhibit 10.30 to the Registrant's Annual Report on Form 10-K for the year ended December 31, 2013 (File No. 000-50972))
10.32*	Employment Agreement between the Registrant and W. Kent Taylor, entered into as of January 8, 2015 (incorporated by reference to Exhibit 10.35 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.33*	Employment Agreement between the Registrant and Scott M. Colosi, entered into as of January 8, 2015 (incorporated by reference to Exhibit 10.36 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.34*	Employment Agreement between the Registrant and G. Price Cooper, IV, entered into as of January 8, 2015 (incorporated by reference to Exhibit 10.37 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.35*	Employment Agreement between the Registrant and Celia Catlett, entered into as of January 8, 2015 (incorporated by reference to Exhibit 10.38 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.36*	Form of Performance Stock Unit Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan
10.37*	Amended and Restated Form of Restricted Stock Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan for officers (incorporated by reference to Exhibit 10.40 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.38*	Amended and Restated Form of Restricted Stock Award Agreement under the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan for non-officers (incorporated by reference to Exhibit 10.41 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.39*	Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., as amended December 19, 2007 and December 31, 2008 (incorporated by reference to Exhibit 10.42 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))

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Exhibit No.	Description
10.40*	Third Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., effective January 1, 2010 (incorporated by reference to Exhibit 10.43 to the Registrant's Annual Report on Form 10-K for the year ended December 30, 2014 (File No. 000-50972))
10.41*	Member Interest Purchase Agreement dated November 26, 2014 by and among Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC, Roadhouse of New Berlin, LLC, Roadhouse of New Berlin Holdings, Inc., Gerard J. Hart, Jim Broyles, Zitro Partners, LTD and Steven Ortiz (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated November 26, 2014 (File 000-50972))
10.42	Lease agreement dated December 11, 2012 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC
10.43	First Amendment to Lease Agreement dated January 10, 2013 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC
10.44	Second Amendment to Lease Agreement dated February 11, 2015 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC
10.45	Third Amendment to Lease Agreement dated January 26, 2016 between Paragon Centre Holdings, LLC and Texas Roadhouse Holdings LLC
10.46*	Employment agreement between the Registrant and S. Chris Jacobsen, entered into as of February 11, 2016
10.47*	Form of Nonqualified Stock Option Agreement under Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan
21.1	List of Subsidiaries
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial statements from the Texas Roadhouse, Inc. Annual Report on Form 10-K for the year ended December 29, 2015, filed February 26, 2016, formatted in eXtensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Income and Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flows, and (v) the Notes to the Consolidated Financial Statements.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS ROADHOUSE, INC.

By: /s/ W. Kent Taylor
W. Kent Taylor
*Chairman of the Company, Chief Executive
Officer, Director*
Date: February 26, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ W. Kent Taylor</u> W. Kent Taylor	Chairman of the Company, Chief Executive Officer, Director (Principal Executive Officer)	February 26, 2016
<u>/s/ Scott M. Colosi</u> Scott M. Colosi	President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	February 26, 2016
<u>/s/ Gregory N. Moore</u> Gregory N. Moore	Director	February 26, 2016
<u>/s/ James F. Parker</u> James F. Parker	Director	February 26, 2016
<u>/s/ James R. Ramsey</u> James R. Ramsey	Director	February 26, 2016
<u>/s/ Kathy Widmer</u> Kathy Widmer	Director	February 26, 2016
<u>/s/ James R. Zarley</u> James R. Zarley	Director	February 26, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Texas Roadhouse, Inc.:

We have audited the accompanying consolidated balance sheets of Texas Roadhouse, Inc. and subsidiaries (the "Company") as of December 29, 2015 and December 30, 2014, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 29, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Texas Roadhouse, Inc. and subsidiaries as of December 29, 2015 and December 30, 2014, and the results of their operations and their cash flows for each of the years in the three-year period ended December 29, 2015, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Texas Roadhouse, Inc.'s internal control over financial reporting as of December 29, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2016 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Louisville, Kentucky
February 26, 2016

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Texas Roadhouse, Inc.:

We have audited the internal control over financial reporting of Texas Roadhouse, Inc. as of December 29, 2015 based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Texas Roadhouse, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on Texas Roadhouse Inc.'s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Texas Roadhouse, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 29, 2015, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Texas Roadhouse, Inc. and subsidiaries as of December 29, 2015 and December 30, 2014, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 29, 2015, and our report dated February 26, 2016 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Louisville, Kentucky
February 26, 2016

Texas Roadhouse, Inc. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 29, 2015	December 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 59,334	\$ 86,122
Receivables, net of allowance for doubtful accounts of \$6 at December 29, 2015 and \$10 at December 30, 2014	45,421	34,023
Inventories, net	15,633	14,256
Prepaid income taxes	53	—
Prepaid expenses	11,295	10,552
Deferred tax assets, net	2,077	2,773
Total current assets	133,813	147,726
Property and equipment, net of accumulated depreciation of \$395,886 at December 29, 2015 and \$347,222 at December 30, 2014	751,288	649,637
Goodwill	116,571	116,571
Intangible assets, net	4,827	6,203
Other assets	26,207	23,005
Total assets	\$ 1,032,706	\$ 943,142
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 144	\$ 129
Accounts payable	50,996	43,585
Deferred revenue-gift cards	101,274	79,462
Accrued wages	36,233	30,375
Income taxes payable	90	1,583
Accrued taxes and licenses	18,779	17,592
Dividends payable	11,919	10,443
Other accrued liabilities	37,207	32,802
Total current liabilities	256,642	215,971
Long-term debt, excluding current maturities	25,550	50,693
Stock option and other deposits	7,041	6,005
Deferred rent	31,493	26,964
Deferred tax liabilities, net	6,402	6,004
Other liabilities	28,396	22,549
Total liabilities	355,524	328,186
Texas Roadhouse, Inc. and subsidiaries stockholders' equity:		
Preferred stock (\$0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding)	—	—
Common stock (\$0.001 par value, 100,000,000 shares authorized, 70,091,203 and 69,628,781 shares issued and outstanding at December 29, 2015 and December 30, 2014, respectively)	70	70
Additional paid-in-capital	201,023	189,168
Retained earnings	468,678	419,436
Accumulated other comprehensive loss	(109)	(782)
Total Texas Roadhouse, Inc. and subsidiaries stockholders' equity	669,662	607,892
Noncontrolling interests	7,520	7,064
Total equity	677,182	614,956
Total liabilities and equity	\$ 1,032,706	\$ 943,142

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries
Consolidated Statements of Income and Comprehensive Income
(in thousands, except per share data)

	Fiscal Year Ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Revenue:			
Restaurant sales	\$ 1,791,446	\$ 1,568,556	\$ 1,410,118
Franchise royalties and fees	15,922	13,592	12,467
Total revenue	1,807,368	1,582,148	1,422,585
Costs and expenses:			
Restaurant operating costs (excluding depreciation and amortization shown separately below):			
Cost of sales	644,001	553,144	492,306
Labor	524,203	459,119	411,394
Rent	37,183	33,174	28,978
Other operating	275,296	246,339	224,882
Pre-opening	19,116	18,452	17,891
Depreciation and amortization	69,694	59,179	51,562
Impairment and closure	974	636	399
Gain on sale of other concept	—	—	(1,800)
General and administrative	92,336	81,656	77,258
Total costs and expenses	1,662,803	1,451,699	1,302,870
Income from operations	144,565	130,449	119,715
Interest expense, net	1,959	2,084	2,201
Equity income from investments in unconsolidated affiliates	(1,641)	(1,602)	(713)
Income before taxes	\$ 144,247	\$ 129,967	\$ 118,227
Provision for income taxes	42,986	38,990	34,140
Net income including noncontrolling interests	\$ 101,261	\$ 90,977	\$ 84,087
Less: Net income attributable to noncontrolling interests	4,367	3,955	3,664
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 96,894	\$ 87,022	\$ 80,423
Other comprehensive income (expense), net of tax:			
Unrealized gain on derivatives, net of tax of \$513, \$513 and \$511, respectively	817	808	809
Foreign currency translation adjustment, net of tax of (\$91), \$39 and \$-, respectively	(144)	62	—
Total other comprehensive income, net of tax	673	870	809
Total comprehensive income	\$ 97,567	\$ 87,892	\$ 81,232
Net income per common share attributable to Texas Roadhouse, Inc. and subsidiaries:			
Basic	\$ 1.38	\$ 1.25	\$ 1.15
Diluted	\$ 1.37	\$ 1.23	\$ 1.13
Weighted average shares outstanding:			
Basic	70,032	69,719	70,089
Diluted	70,747	70,608	71,362
Cash dividends declared per share	\$ 0.68	\$ 0.60	\$ 0.48

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries
Consolidated Statements of Stockholders' Equity
(tabular amounts in thousands, except share data)

			Additional	Retained	Accumulated	Total Texas		
	Shares	Par	Paid-in-	Earnings	Other	Roadhouse, Inc.	Noncontrolling	Total
		Value	Capital		Comprehensive	and	Interests	
					Loss	Subsidiaries		
Balance, December 25, 2012	68,977,045	\$ 69	\$ 199,967	\$ 327,509	\$ (2,461)	\$ 525,084	\$ 5,653	\$ 530,737
Net income	—	—	—	80,423	—	80,423	3,664	84,087
Other comprehensive income	—	—	—	—	809	809	—	809
Distributions to noncontrolling interests	—	—	—	—	—	—	(3,116)	(3,116)
Noncontrolling interests liquidation adjustments	—	—	36	—	—	36	—	36
Dividends declared and paid (\$0.48 per share)	—	—	—	(33,742)	—	(33,742)	—	(33,742)
Shares issued under share-based compensation plans including tax effects	2,165,391	2	20,026	—	—	20,028	—	20,028
Repurchase of shares of common stock	(461,600)	(1)	(12,760)	—	—	(12,761)	—	(12,761)
Indirect repurchase of shares for minimum tax withholdings	(328,579)	—	(6,958)	—	—	(6,958)	—	(6,958)
Share-based compensation	—	—	14,740	—	—	14,740	—	14,740
Balance, December 31, 2013	70,352,257	\$ 70	\$ 215,051	\$ 374,190	\$ (1,652)	\$ 587,659	\$ 6,201	\$ 593,860
Net income	—	—	—	87,022	—	87,022	3,955	90,977
Other comprehensive income	—	—	—	—	870	870	—	870
Noncontrolling interests contribution	—	—	—	—	—	—	764	764
Distributions to noncontrolling interests	—	—	—	—	—	—	(3,856)	(3,856)
Noncontrolling interests liquidation adjustments	—	—	25	—	—	25	—	25
Noncontrolling interest acquisition	—	—	(653)	—	—	(653)	—	(653)
Dividends declared and paid (\$0.45 per share)	—	—	—	(31,333)	—	(31,333)	—	(31,333)
Dividends declared (\$0.15 per share)	—	—	—	(10,443)	—	(10,443)	—	(10,443)
Shares issued under share-based compensation plans including tax effects	1,169,181	2	8,163	—	—	8,165	—	8,165
Issuance of shares for franchise acquisition	40,699	—	1,284	—	—	1,284	—	1,284
Repurchase of shares of common stock	(1,675,000)	(2)	(42,742)	—	—	(42,744)	—	(42,744)
Indirect repurchase of shares for minimum tax withholdings	(258,356)	—	(6,843)	—	—	(6,843)	—	(6,843)
Share-based compensation	—	—	14,883	—	—	14,883	—	14,883
Balance, December 30, 2014	69,628,781	\$ 70	\$ 189,168	\$ 419,436	\$ (782)	\$ 607,892	\$ 7,064	\$ 614,956
Net income	—	—	—	96,894	—	96,894	4,367	101,261
Other comprehensive income	—	—	—	—	673	673	—	673
Distributions to noncontrolling interests	—	—	—	—	—	—	(3,911)	(3,911)
Noncontrolling interests liquidation adjustments	—	—	22	—	—	22	—	22
Dividends declared and paid (\$0.51 per share)	—	—	—	(35,733)	—	(35,733)	—	(35,733)
Dividends declared (\$0.17 per share)	—	—	—	(11,919)	—	(11,919)	—	(11,919)
Shares issued under share-based compensation plans including tax effects	1,030,184	1	8,976	—	—	8,977	—	8,977
Repurchase of shares of common stock	(321,789)	(1)	(11,396)	—	—	(11,397)	—	(11,397)
Indirect repurchase of shares for minimum tax withholdings	(245,973)	—	(8,572)	—	—	(8,572)	—	(8,572)
Share-based compensation	—	—	22,825	—	—	22,825	—	22,825
Balance, December 29, 2015	70,091,203	\$ 70	\$ 201,023	\$ 468,678	\$ (109)	\$ 669,662	\$ 7,520	\$ 677,182

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	December 29, 2015	December 30, 2014	December 31, 2013
Cash flows from operating activities:			
Net income including noncontrolling interests	\$ 101,261	\$ 90,977	\$ 84,087
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	69,694	59,179	51,562
Deferred income taxes	411	(480)	(947)
Loss on disposition of assets	5,455	4,987	3,794
Gain on sale of other concept	—	—	(1,800)
Impairment and closure costs	974	626	278
Equity income from investments in unconsolidated affiliates	(1,641)	(1,602)	(713)
Distributions of income received from investments in unconsolidated affiliates	502	541	444
Provision for doubtful accounts	(4)	6	86
Share-based compensation expense	22,825	14,883	14,740
Changes in operating working capital:			
Receivables	(11,395)	(8,634)	(9,063)
Inventories	(1,377)	(2,278)	(1,057)
Prepaid expenses	(743)	(277)	(3,066)
Other assets	(2,276)	(1,231)	(4,720)
Accounts payable	7,611	5,366	5,712
Deferred revenue—gift cards	21,812	16,660	9,555
Accrued wages	5,858	1,381	3,964
Excess tax benefits from share-based compensation	(4,540)	(2,885)	(4,887)
Prepaid income taxes and income taxes payable	2,994	5,128	7,931
Accrued taxes and licenses	1,187	158	4,088
Other accrued liabilities	1,991	4,905	5,891
Deferred rent	4,529	3,222	3,453
Other liabilities	2,813	1,081	4,504
Net cash provided by operating activities	227,941	191,713	173,836
Cash flows from investing activities:			
Capital expenditures—property and equipment	(173,475)	(125,445)	(111,478)
Investment in unconsolidated affiliates	—	—	(1,180)
Proceeds from sale of other concept, net	—	—	1,387
Proceeds from sale of property and equipment, including insurance proceeds	272	1,205	23
Net cash used in investing activities	(173,203)	(124,240)	(111,248)
Cash flows from financing activities:			
Repayments of revolving credit facility	(25,000)	—	—
Proceeds from financing lease obligation	3,000	—	—
Repurchase of shares of common stock	(11,397)	(42,744)	(12,761)
Proceeds from noncontrolling interest contributions and other	—	764	—
Payment of debt assumed, net of cash acquired, in acquisition of noncontrolling interest	—	(1,050)	—
Distributions to noncontrolling interest holders	(3,911)	(3,856)	(3,116)
Excess tax benefits from share-based compensation	4,540	2,885	4,887
Proceeds from stock option and other deposits, net	1,422	1,083	593
Indirect repurchase of shares for minimum tax withholdings	(8,572)	(6,843)	(6,958)
Principal payments on long-term debt and capital lease obligations	(128)	(411)	(369)
Proceeds from exercise of stock options	4,696	5,280	15,141
Dividends paid to shareholders	(46,176)	(31,333)	(46,877)
Net cash used in financing activities	(81,526)	(76,225)	(49,460)
Net (decrease) increase in cash and cash equivalents	(26,788)	(8,752)	13,128
Cash and cash equivalents—beginning of year	86,122	94,874	81,746
Cash and cash equivalents—end of year	\$ 59,334	\$ 86,122	\$ 94,874
Supplemental disclosures of cash flow information:			
Interest paid, net of amounts capitalized	\$ 2,321	\$ 2,374	\$ 2,400
Income taxes paid	\$ 39,581	\$ 34,342	\$ 27,156
Capital expenditures included in current liabilities	\$ 3,726	\$ 1,115	\$ 1,383
Supplemental schedule of noncash financing activities:			
Stock acquisition of noncontrolling interest in franchise restaurant	\$ —	1,284	—

See accompanying notes to Consolidated Financial Statements.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Tabular amounts in thousands, except share and per share data)

(1) Description of Business

The accompanying Consolidated Financial Statements include the accounts of Texas Roadhouse, Inc. ("TRI"), our wholly-owned subsidiaries and subsidiaries in which we own more than a 50 percent interest (collectively, the "Company," "we," "our" and/or "us") as of and for the 52 weeks ended December 29, 2015 and December 30, 2014.

As of December 29, 2015, we owned and operated 401 restaurants and franchised an additional 82 restaurants in 49 states and four foreign countries. Of the 401 company-owned restaurants that were operating at December 29, 2015, 385 were wholly-owned and 16 were majority-owned.

As of December 30, 2014, we owned and operated 372 restaurants and franchised an additional 79 restaurants in 49 states and four foreign countries. Of the 372 company-owned restaurants that were operating at December 30, 2014, 356 were wholly-owned and 16 were majority-owned.

(2) Summary of Significant Accounting Policies

(a) Principles of Consolidation

As of December 29, 2015 and December 30, 2014, we owned a 5.0% to 10.0% equity interest in 24 and 23 restaurants, respectively. Additionally, as of December 29, 2015 and December 30, 2014, we owned a 40% equity interest in four non-Texas Roadhouse restaurants as part of a joint venture agreement with a casual dining restaurant operator in China. The unconsolidated restaurants are accounted for using the equity method. While we exercise significant control over these Texas Roadhouse franchise restaurants, we do not consolidate their financial position, results of operations or cash flows as it is immaterial to our consolidated financial position, results of operations and/or cash flows. Our investments in these unconsolidated affiliates are included in Other assets in our consolidated balance sheets, and we record our percentage share of net income earned by these unconsolidated affiliates in our consolidated statements of income and comprehensive income under Equity income from investments in unconsolidated affiliates. All significant intercompany balances and transactions for these unconsolidated restaurants as well as the entities whose accounts have been consolidated have been eliminated.

(b) Fiscal Year

We utilize a 52 or 53 week accounting period that ends on the last Tuesday in December. We utilize a 13 week accounting period for quarterly reporting purposes, except in years containing 53 weeks when the fourth quarter contains 14 weeks. Fiscal years 2015 and 2014 were 52 weeks in length. Fiscal year 2013 was 53 weeks in length. In fiscal 2013, the 53rd week added approximately \$32.0 million to restaurant sales and total revenues and an estimated \$0.03 to \$0.04 to diluted earnings per share in our consolidated statements of income and comprehensive income.

(c) Cash and Cash Equivalents

We consider all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Book overdrafts are recorded in accounts payable and are included within operating cash flows. Cash and cash equivalents also included receivables from credit card companies, which amounted to \$7.7 million and \$7.0 million at December 29, 2015 and December 30, 2014, respectively, because the balances are settled within two to three business days.

(d) Receivables

Receivables consist principally of amounts due from retail gift card providers, certain franchise restaurants for reimbursement of labor costs, pre-opening and other expenses, and franchise restaurants for royalty fees.

Receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine the allowance based on historical write-off experience. We review our allowance for doubtful accounts quarterly. Past due balances over 120 days and a specified amount are reviewed individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Texas Roadhouse, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Tabular amounts in thousands, except share and per share data)

(e) Inventories

Inventories, consisting principally of food, beverages and supplies, are valued at the lower of cost (first-in, first-out) or market.

(f) Pre-opening Expenses

Pre-opening expenses are charged to operations as incurred. These costs include opening team and training compensation and benefits, travel expenses, rent, food, beverage and other initial supplies and expenses incurred prior to a restaurant opening for business.

(g) Property and Equipment

Property and equipment are stated at cost. Expenditures for major renewals and betterments are capitalized while expenditures for maintenance and repairs are expensed as incurred. Depreciation is computed on property and equipment, including assets located on leased properties, over the shorter of the estimated useful lives of the related assets or the underlying lease term using the straight-line method. In some cases, assets on leased properties are depreciated over a period of time which includes both the initial term of the lease and one or more option periods. See note 2(p) for further discussion of leases and leasehold improvements.

The estimated useful lives are:

Land improvements	10 - 25 years
Buildings and leasehold improvements	10 - 25 years
Equipment and smallwares	3 - 10 years
Furniture and fixtures	3 - 10 years

The cost of purchasing transferable liquor licenses through open markets in jurisdictions with a limited number of authorized liquor licenses are capitalized as indefinite-lived assets and included in Property and equipment, net.

Repairs and maintenance expense amounted to \$20.6 million, \$17.9 million and \$15.9 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively. These costs are included in other operating costs in our consolidated statements of income and comprehensive income.

(h) Impairment of Goodwill

Goodwill represents the excess of cost over fair value of assets of businesses acquired. In accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, Intangibles – Goodwill and Other ("ASC 350"), we perform tests to assess potential impairments at the end of each fiscal year or during the year if an event or other circumstance indicates that goodwill may be impaired. Our assessment is performed at the reporting unit level, which is at the individual restaurant level. In the first step of the review process, we compare the estimated fair value of the restaurant with its carrying value, including goodwill. If the estimated fair value of the restaurant exceeds its carrying amount, no further analysis is needed. If the estimated fair value of the restaurant is less than its carrying amount, the second step of the review process requires the calculation of the implied fair value of the goodwill by allocating the estimated fair value of the restaurant to all of the assets and liabilities of the restaurant as if it had been acquired in a business combination. If the carrying value of the goodwill associated with the restaurant exceeds the implied fair value of the goodwill, an impairment loss is recognized for that excess amount.

The valuation approaches used to determine fair value are subject to key judgments and assumptions that are sensitive to change such as judgments and assumptions about appropriate revenue growth rates, operating margins, weighted average cost of capital and comparable company and acquisition market multiples. In estimating the fair value using the capitalization of earnings method or discounted cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods, expectations of future sales growth and terminal value. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. When

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Tabular amounts in thousands, except share and per share data)

developing these key judgments and assumptions, we consider economic, operational and market conditions that could impact fair value. The judgments and assumptions used are consistent with what we believe hypothetical market participants would use. However, estimates are inherently uncertain and represent only our reasonable expectations regarding future developments. If the estimates used in performing the impairment test prove inaccurate, the fair value of the restaurants may ultimately prove to be significantly lower, thereby causing the carrying value to exceed the fair value and indicating impairment has occurred.

In both 2015 and 2013, as a result of our annual goodwill impairment analysis, we determined that there was no goodwill impairment. In 2014, as a result of our annual goodwill impairment analyses, we recorded goodwill impairment charges of \$0.6 million, as discussed further in note 15. Refer to note 6 for additional information related to goodwill and intangible assets.

(i) Other Assets

Other assets consist primarily of deferred compensation plan assets, investments in foreign operations, deposits and costs related to the issuance of debt. The debt issuance costs are being amortized to interest expense over the term of the related debt. For further discussion of the deferred compensation plan, see note 14.

(j) Impairment or Disposal of Long-lived Assets

In accordance with ASC 360-10-05, *Property, Plant and Equipment*, long-lived assets related to each restaurant to be held and used in the business, such as property and equipment and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of a restaurant may not be recoverable. When we evaluate restaurants, cash flows are the primary indicator of impairment. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the restaurant to estimated undiscounted future cash flows expected to be generated by the restaurant. Under our policies, trailing 12-month cash flow results below \$300,000 at the individual restaurant level signals potential impairment. In our evaluation of restaurants that do not meet the cash flow threshold, we estimate future undiscounted cash flows from operating the restaurant over its estimated useful life, which can be for a period of over 20 years. In the estimation of future cash flows, we consider the period of time the restaurant has been open, the trend of operations over such period and future periods and expectations of future sales growth. Assumptions about important factors such as the trend of future operations and sales growth are limited to those that are supportable based upon the plans for the restaurant and actual results at comparable restaurants. If the carrying amount of the restaurant exceeds its estimated undiscounted future cash flows, an impairment charge is recognized by the amount by which the carrying amount exceeds the fair value of the assets. We generally measure fair value by independent third party appraisal or discounting estimated future cash flows. When fair value is measured by discounting estimated future cash flows, the assumptions used are consistent with what we believe hypothetical market participants would use. We also use a discount rate that is commensurate with the risk inherent in the projected cash flows. The adjusted carrying amounts of assets to be held and used are depreciated over their remaining useful life. In both 2015 and 2014, as a result of our impairment analysis, we determined that there was no impairment. In 2013, we recorded \$0.2 million of impairment related to one previously closed restaurant. For further discussion regarding closures and impairments recorded in 2015, 2014 and 2013, including the impairments of goodwill and other long-lived assets, refer to note 15.

(k) Insurance Reserves

We self-insure a significant portion of expected losses under our workers compensation, general liability, employment practices liability, property insurance and employee healthcare programs. We purchase insurance for individual claims that exceed the retention amounts listed below:

Employment practices liability/Class Action	\$ 250,000 / \$2,000,000
Workers compensation	\$350,000
General liability	\$250,000
Employee healthcare	\$250,000

In addition, we purchase property insurance for claims that exceed \$50,000 after an aggregate deductible of \$250,000.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Tabular amounts in thousands, except share and per share data)

We record a liability for unresolved claims and for an estimate of incurred but not reported claims based on estimates provided by management, a third party administrator and/or actuary. The estimated liability is based on a number of assumptions and factors regarding economic conditions, the frequency and severity of claims and claim development history and settlement practices. Our assumptions are reviewed, monitored, and adjusted when warranted by changing circumstances.

(l) Segment Reporting

We consider our restaurant and franchising operations as similar and have aggregated them into a single reportable segment. The majority of the restaurants operate in the U.S. within the casual dining segment of the restaurant industry, providing similar products to similar customers. The restaurants also possess similar pricing structures, resulting in similar long-term expected financial performance characteristics. As of December 29, 2015, we operated 401 restaurants, each as a single operating segment, and franchised an additional 82 restaurants. Revenue from external customers is derived principally from food and beverage sales. We do not rely on any major customers as a source of revenue.

(m) Revenue Recognition

Revenue from restaurant sales is recognized when food and beverage products are sold. Deferred revenue primarily represents our liability for gift cards that have been sold, but not yet redeemed. When the gift cards are redeemed, we recognize restaurant sales and reduce deferred revenue.

For some of the gift cards that were sold, the likelihood of redemption is remote. When the likelihood of a gift card's redemption is determined to be remote, we record a breakage adjustment and reduce deferred revenue by the amount never expected to be redeemed. We use historic gift card redemption patterns to determine when the likelihood of a gift card's redemption becomes remote and have determined that approximately 4% of the value of the gift cards sold by our company and our third party retailers will never be redeemed. The methodology we use to match the expected redemption value of unredeemed gift cards to our historic redemption patterns is to amortize the historic breakage rates over a three year period. As a result, the amount of unredeemed gift card liability included in deferred revenue is the full value of unredeemed gift cards less the amortized portion of the breakage rates. We recorded our gift card breakage adjustment as a reduction of other operating expense in our consolidated statements of income and comprehensive income. We review and adjust our estimates on a semi-annual basis.

We franchise Texas Roadhouse restaurants. We execute franchise agreements for each franchise restaurant which sets out the terms of our arrangement with the franchisee. Our franchise agreements typically require the franchisee to pay an initial, non-refundable fee and continuing fees based upon a percentage of sales. Subject to our approval and payment of a renewal fee, a franchisee may generally renew the franchise agreement upon its expiration. We collect ongoing royalties of 2.0% to 4.0% of sales from our domestic franchisees, along with royalties paid to us by our international franchisees. These ongoing royalties are reflected in the accompanying consolidated statements of income and comprehensive income as franchise royalties and fees. We recognize initial franchise fees as franchise royalties and fees after performing substantially all initial services or conditions required by the franchise agreement, which is generally upon the opening of a restaurant. We received initial franchise fees of \$0.3 million, \$0.6 million and \$0.1 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively. Continuing franchise royalties are recognized as revenue as the fees are earned. We also enter into area development agreements for the development of international Texas Roadhouse restaurants. Upfront fees from development agreements are deferred and recognized as franchise royalties and fees on a pro-rata basis as restaurants under the development agreement are opened. We also perform supervisory and administrative services for certain franchise restaurants for which we receive management fees, which are recognized as the services are performed. Revenue from supervisory and administrative services is recorded as a reduction of general and administrative expenses in the accompanying consolidated statements of income and comprehensive income. Total revenue from supervisory and administrative services recorded for the years ended December 29, 2015, December 30, 2014 and December 31, 2013 was approximately \$0.9 million, \$0.9 million and \$0.7 million, respectively.

Sales taxes collected from customers and remitted to governmental authorities are accounted for on a net basis and therefore are excluded from revenue in the consolidated statements of income and comprehensive income.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Tabular amounts in thousands, except share and per share data)

(n) Income Taxes

We account for income taxes in accordance with ASC 740, *Income Taxes*, under which deferred assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and their respective tax bases. We recognize both interest and penalties on unrecognized tax benefits as part of income tax expense. A valuation allowance is established to reduce the carrying value of deferred tax assets if it is considered more likely than not that such assets will not be realized. Any change in the valuation allowance would be charged to income in the period such determination was made.

(o) Advertising

We have a domestic system-wide marketing and advertising fund. We maintain control of the marketing and advertising fund and, as such, have consolidated the fund's activity for the years ended December 29, 2015, December 30, 2014 and December 31, 2013. Domestic company and franchise restaurants are required to remit a designated portion of sales, currently 0.3%, to the advertising fund. These reimbursements do not exceed the costs incurred by the advertising fund throughout the year associated with various marketing programs which are developed internally by us. Therefore, the net amount of the advertising costs incurred less amounts remitted by company and franchise restaurants is included in general and administrative expense in our consolidated statements of income and comprehensive income.

Other costs related to local restaurant area marketing initiatives are included in other operating costs in our consolidated statements of income and comprehensive income. These costs and the company-owned restaurant contribution amounted to approximately \$11.7 million, \$10.8 million and \$10.1 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively.

(p) Leases and Leasehold Improvements

We lease land and buildings for the majority of our restaurants under non-cancelable lease agreements. Our land and/or building leases typically have initial terms ranging from 10 to 15 years, and certain renewal options for one or more five-year periods. We account for leases in accordance with ASC 840, *Leases*, and other related authoritative guidance. When determining the lease term, we include option periods for which failure to renew the lease imposes a penalty on us in such an amount that renewal appears, at the inception of the lease, to be reasonably assured. The primary penalty to which we are subject is the economic detriment associated with the existence of leasehold improvements which might become impaired if we choose not to continue the use of the leased property.

Certain of our operating leases contain predetermined fixed escalations of the minimum rent during the original term of the lease. For these leases, we recognize the related rent expense on a straight-line basis over the lease term and record the difference between the amounts charged to operations and amounts paid as deferred rent. We generally do not receive rent concessions or leasehold improvement incentives upon opening a restaurant that is subject to a lease. We may receive rent holidays, which would begin on the possession date and end when the lease commences, during which no cash rent payments are typically due under the terms of the lease. Rent holidays are included in the lease term when determining straight-line rent expense.

Additionally, certain of our operating leases contain clauses that provide for additional contingent rent based on a percentage of sales greater than certain specified target amounts. We recognize contingent rent expense prior to the achievement of the specified target that triggers the contingent rent, provided achievement of the target is considered probable. This may result in some variability in rent expense as a percentage of sales over the term of the lease in restaurants where we pay contingent rent.

The judgment regarding the probable term for each restaurant property lease impacts the classification and accounting for a lease as capital or operating, the rent holiday and/or escalation in payments that are taken into consideration when calculating straight-line rent and the term over which leasehold improvements for each restaurant are amortized. The material factor we consider when making this judgment is the total amount invested in the restaurant at the inception of the lease and whether management believes that renewal appears reasonably assured. While a different term may produce materially different amounts of depreciation, amortization and rent expense than reported, our historical lease renewal rates support the judgments made. We have not made any changes to the nature of the assumptions used to account for leases in any of the fiscal years presented in our consolidated financial statements.

Texas Roadhouse, Inc. and Subsidiaries

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(Tabular amounts in thousands, except share and per share data)

Sale leasebacks are transactions through which assets (such as restaurant properties) are sold at fair value and subsequently leased back. The resulting leases generally qualify and are accounted for as operating leases. Financing leases are generally the product of a sale leaseback transaction that does not meet the criteria for sale leaseback accounting. The result of a financing lease is the retention of the "sold" assets within land, building and equipment with a financing lease obligation equal to the amount of proceeds received recorded as a component of other liabilities on our consolidated balance sheets.

(q) Use of Estimates

We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reporting of revenue and expenses during the period to prepare these consolidated financial statements in conformity with generally accepted accounting principles ("GAAP"). Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill, obligations related to insurance reserves, leases and leasehold improvements and income taxes. Actual results could differ from those estimates.

(r) Comprehensive Income

ASC 220, *Comprehensive Income*, establishes standards for reporting and the presentation of comprehensive income and its components in a full set of financial statements. Comprehensive income consists of net income and other comprehensive income (loss) items that are excluded from net income under GAAP in the United States. Other comprehensive income (loss) consists of the effective unrealized portion of changes in fair value of cash flow hedges and foreign currency translation adjustments. The foreign currency translation adjustment included in comprehensive income on the consolidated statements of income and comprehensive income represents the unrealized impact of translating the financial statements of our foreign investment. This amount is not included in net income and would only be realized upon the disposition of the business.

(s) Fair Value of Financial Instruments

Fair value is defined as the price that we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants on the measurement date. We use a three-tier fair value hierarchy based upon observable and non-observable inputs that prioritizes the information used to develop our assumptions regarding fair value. Fair value measurements are separately disclosed by level within the fair value hierarchy.

(t) Derivative Instruments and Hedging Activities

We do not use derivative instruments for trading purposes. Currently, our only free standing derivative instrument is one interest rate swap agreement.

We account for derivatives and hedging activities in accordance with ASC 815, *Derivatives and Hedging*, which requires that all derivative instruments be recorded on the consolidated balance sheet at their respective fair values. The accounting for changes in the fair value of a derivative instrument is dependent upon whether the derivative has been designated and qualifies as part of a hedging relationship. Our current derivative has been designated and qualifies as a cash flow hedge. For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transactions affect earnings. There was no hedge ineffectiveness recognized during the years ended December 29, 2015, December 30, 2014 and December 31, 2013.

(u) Reclassifications

Certain prior year amounts have been reclassified in our consolidated financial statements to conform with current year presentation.

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(v) Recent Accounting Pronouncements

Revenue Recognition
(Accounting Standards Update 2014-09, "ASU 2014-09")

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. In July 2015, the FASB approved a one-year deferral of the effective date of the new revenue standard. ASU 2014-09 is now effective for fiscal years beginning on or after December 15, 2017 (our 2018 fiscal year), including interim periods within those annual periods, with early adoption permitted in the first quarter of 2017. The standard permits the use of either the retrospective or cumulative effect transition method. The standard will not impact our recognition of revenue from company-owned restaurants or our recognition of continuing fees from franchisees, which are based on a percentage of franchise sales. We are continuing to evaluate the impact the adoption of this standard will have on the recognition of other less significant revenue transactions such as initial fees from franchisees.

Consolidation
(Accounting Standards Update 2015-02, "ASU 2015-02")

In February 2015, the FASB issued ASU 2015-02, *Consolidation: Amendments to the Consolidation Analysis*, which changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. ASU 2015-02 is effective for annual and interim periods beginning after December 15, 2015 (our 2016 fiscal year). A reporting entity may apply the amendments using a modified retrospective approach or a full retrospective application. The adoption of this guidance is not expected to have an impact on our consolidated financial position, results of operations or cash flows.

Software Licenses
(Accounting Standards Update 2015-05, "ASU 2015-05")

In April 2015, the FASB issued ASU 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement*, which provides guidance about whether a cloud computing arrangement includes a software license. ASU 2015-05 is effective for annual and interim periods beginning after December 15, 2015 (our 2016 fiscal year). The adoption of this guidance is not expected to have an impact on our consolidated financial position, results of operations or cash flows.

Inventory
(Accounting Standards Update 2015-11, "ASU 2015-11")

In July 2015, the FASB issued ASU 2015-11, *Inventory*, which simplifies the measurement principle of inventories valued under the First-In, First-Out ("FIFO") or weighted average methods from the lower of cost or market to the lower of cost and net realizable value. ASU 2015-11 is effective for reporting periods beginning after December 15, 2016 (our 2017 fiscal year) including interim periods within those annual periods. We do not expect the standard to have a material impact on our consolidated financial position, results of operations or cash flows upon adoption.

Deferred Taxes
(Accounting Standards Update 2015-17, "ASU 2015-17")

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which requires that deferred tax assets and liabilities be classified as noncurrent on the consolidated balance sheet. ASU 2015-17 is effective for annual periods beginning after December 15, 2016 (our 2017 fiscal year), including interim periods within those annual periods. Early adoption is permitted as of the beginning of an interim or annual reporting period. Upon adoption, ASU 2015-17 may be applied either prospectively or retrospectively. We do not expect the adoption of this guidance to have a material impact on our consolidated financial position, results of operations or cash flows.

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(3) Acquisitions

On November 26, 2014, we acquired the remaining ownership interests in a franchise restaurant owned in part by us and certain officers or stockholders of the Company. Prior to the acquisition, we owned 5% of the franchise restaurant which we accounted for using the equity method. While we exercised significant control over the acquired restaurant prior to our acquisition of the remaining ownership interests, we did not consolidate their financial position, results of operations and/or cash flows nor recognize the noncontrolling interests as it was not material to our consolidated financial position, results of operations and/or cash flows. This acquisition is consistent with our long-term strategy to increase net income and earnings per share.

Pursuant to the purchase agreement, we issued 40,699 shares of common stock valued at \$1.3 million in exchange for the remaining ownership interests. The acquisition was accounted for as an equity transaction as defined in ASC 810, *Consolidation – Overall* ("ASC 810"). The difference between the \$1.3 million in consideration paid and the book value of the noncontrolling interest in the unconsolidated affiliate of \$0.7 million was recorded as a debit to equity. In conjunction with this acquisition, we received \$0.2 million of cash and paid off outstanding debt related to the franchise restaurant of \$1.3 million.

(4) Long-term Debt

Long-term debt consisted of the following:

	December 29, 2015	December 30, 2014
Installment loan, due 2016 - 2020	\$ 694	\$ 822
Revolver	25,000	50,000
	25,694	50,822
Less current maturities	144	129
	<u>\$25,550</u>	<u>\$50,693</u>

Maturities of long-term debt at December 29, 2015 are as follows:

2016	\$ 144
2017	159
2018	25,177
2019	196
2020	18
Thereafter	—
	<u>\$ 25,694</u>

The weighted average interest rate for installment loans outstanding at both December 29, 2015 and December 30, 2014 was 10.46%. The debt is secured by certain land and buildings and is subject to certain prepayment penalties.

On November 1, 2013, we entered into Omnibus Amendment No. 1 and Consent to Credit Agreement and Guaranty with respect to our revolving credit facility dated as of August 12, 2011 with a syndicate of commercial lenders led by JP Morgan Chase Bank, N.A., PNC Bank, N.A., and Wells Fargo, N.A. The amended revolving credit facility, which has a maturity date of November 1, 2018, remains an unsecured, revolving credit agreement under which we may borrow up to \$200.0 million. The amendment provides us with the option to increase the revolving credit facility by \$200.0 million, up to \$400.0 million, subject to certain limitations.

The terms of the amended revolving credit facility require us to pay interest on outstanding borrowings at the London Interbank Offered Rate ("LIBOR") plus a margin of 0.875% to 1.875%, depending on our leverage ratio, or the Alternate Base Rate, which is the higher of the issuing bank's prime lending rate, the Federal Funds rate plus 0.50% or the Adjusted Eurodollar Rate for a one month interest period on such day plus 1.0%. We are also required to pay a commitment fee of 0.125% to 0.30% per year on any unused portion of the amended revolving credit facility, depending on our leverage ratio. The weighted-average interest rate for the amended revolving credit facility at December 29, 2015 and December 30, 2014 was 3.22% and 3.96%, respectively, including the impact of interest rate swaps. At December

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29, 2015, we had \$25.0 million outstanding under the amended revolving credit facility and \$168.4 million of availability, net of \$6.6 million of outstanding letters of credit.

The lenders' obligation to extend credit under the amended revolving credit facility depends on us maintaining certain financial covenants, including a minimum consolidated fixed charge coverage ratio of 2.00 to 1.00 and a maximum consolidated leverage ratio of 3.00 to 1.00. The amended revolving credit facility permits us to incur additional secured or unsecured indebtedness outside the facility, except for the incurrence of secured indebtedness that in the aggregate exceeds 15% of our consolidated tangible net worth or circumstances where the incurrence of secured or unsecured indebtedness would prevent us from complying with our financial covenants. We were in compliance with all covenants as of December 29, 2015.

On October 22, 2008, we entered into an interest rate swap, starting on November 7, 2008, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our amended revolving credit facility. Under the terms of the swap, we paid a fixed rate of 3.83% on the \$25.0 million notional amount and received payments from the counterparty based on the one month LIBOR for a term ending on November 7, 2015, effectively resulting in a fixed rate on the LIBOR component of the \$25.0 million notional amount.

On January 7, 2009, we entered into an interest rate swap, starting on February 7, 2009, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our amended revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the \$25.0 million notional amount and receive payments from the counterparty based on the one month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate on the LIBOR component of the \$25.0 million notional amount. Changes in the fair value of the interest rate swap will be reported as a component of accumulated other comprehensive income (loss).

(5) Property and Equipment, Net

Property and equipment were as follows:

	December 29, 2015	December 30, 2014
Land and improvements	\$ 109,939	\$ 105,055
Buildings and leasehold improvements	588,095	519,905
Equipment and smallwares	305,580	262,036
Furniture and fixtures	93,904	80,637
Construction in progress	40,496	20,730
Liquor licenses	9,160	8,496
	1,147,174	996,859
Accumulated depreciation and amortization	(395,886)	(347,222)
	<u>\$ 751,288</u>	<u>\$ 649,637</u>

The amount of interest capitalized in connection with restaurant construction was approximately \$0.7 million, \$0.7 million and \$0.5 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively.

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(6) Goodwill and Intangible Assets

The changes in the carrying amount of goodwill and intangible assets are as follows:

	Goodwill	Intangible Assets
Balance as of December 31, 2013 (1)	117,197	7,876
Additions	—	—
Amortization expense	—	(1,673)
Disposals and other, net	—	—
Impairment	(626)	—
Balance as of December 30, 2014	116,571	6,203
Additions	—	—
Amortization expense	—	(1,376)
Disposals and other, net	—	—
Impairment	—	—
Balance as of December 29, 2015	116,571	4,827

(1) Net of \$4.2 million of accumulated goodwill impairment losses.

Intangible assets consist of reacquired franchise rights. The gross carrying amount and accumulated amortization of the intangible assets at December 29, 2015 were \$15.4 million and \$10.5 million, respectively. As of December 30, 2014, the gross carrying amount and accumulated amortization of the intangible assets was \$15.4 million and \$9.2 million. We amortize reacquired franchise rights on a straight-line basis over the remaining term of the franchise operating agreements, which varies by restaurant. Amortization expense for the next five years is expected to range from \$0.4 million to \$1.2 million. In 2014, as a result of our goodwill and/or long-lived impairment analysis, we determined that goodwill related to a certain restaurant was impaired as discussed in note 14.

(7) Leases

The following is a schedule of future minimum lease payments required for operating leases that have initial or remaining non-cancellable terms in excess of one year as of December 29, 2015:

	Operating Leases
2016	\$ 37,909
2017	38,397
2018	38,568
2019	38,586
2020	37,549
Thereafter	524,380
Total	\$ 715,389

Rent expense for operating leases consisted of the following:

	December 29, 2015	December 30, 2014	December 31, 2013
Minimum rent—occupancy	\$ 36,104	\$ 32,288	\$ 28,191
Contingent rent	1,079	886	787
Rent expense, occupancy	37,183	33,174	28,978
Minimum rent—equipment and other	3,952	3,724	3,502
Rent expense	\$ 41,135	\$ 36,898	\$ 32,480

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(8) Income Taxes

Components of our income tax (benefit) and provision for the years ended December 29, 2015, December 30, 2014 and December 31, 2013 are as follows:

	Fiscal Year Ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Current:			
Federal	\$ 33,403	\$ 31,176	\$ 28,648
State	8,821	7,913	6,439
Foreign	351	381	—
Total current	42,575	39,470	35,087
Deferred:			
Federal	274	(379)	(919)
State	137	(101)	(28)
Total deferred	411	(480)	(947)
Income tax provision	<u>\$ 42,986</u>	<u>\$ 38,990</u>	<u>\$ 34,140</u>

Our pre-tax income is substantially derived from domestic restaurants.

A reconciliation of the statutory federal income tax rate to our effective tax rate for December 29, 2015, December 30, 2014 and December 31, 2013 is as follows:

	December 29, 2015	December 30, 2014	December 31, 2013
Tax at statutory federal rate	35.0 %	35.0 %	35.0 %
State and local tax, net of federal benefit	3.5	3.5	3.5
FICA tip tax credit	(7.2)	(6.9)	(6.5)
Work opportunity tax credit	(0.9)	(1.0)	(1.7)
Incentive stock options	(0.2)	(0.2)	(0.7)
Nondeductible officer compensation	0.1	0.2	0.4
Net income attributable to noncontrolling interests	(1.0)	(1.0)	(1.1)
Other	0.5	0.4	—
Total	<u>29.8 %</u>	<u>30.0 %</u>	<u>28.9 %</u>

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Components of deferred tax assets (liabilities) are as follows:

	December 29, 2015	December 30, 2014
Deferred tax assets:		
Insurance reserves	\$ 4,463	\$ 4,577
Other reserves	625	715
Deferred rent	11,727	9,838
Share-based compensation	7,446	5,336
Deferred revenue—gift cards	7,707	5,524
Deferred compensation	6,749	5,564
Other assets	2,933	2,972
Total deferred tax asset	<u>41,650</u>	<u>34,526</u>
Deferred tax liabilities:		
Property and equipment	(38,541)	(31,682)
Goodwill and intangibles	(5,089)	(4,163)
Other liabilities	(2,345)	(1,912)
Total deferred tax liability	<u>(45,975)</u>	<u>(37,757)</u>
Net deferred tax liability	\$ <u>(4,325)</u>	\$ <u>(3,231)</u>
Current deferred tax asset	\$ 2,077	\$ 2,773
Noncurrent deferred tax liability	(6,402)	(6,004)
Net deferred tax liability	\$ <u>(4,325)</u>	\$ <u>(3,231)</u>

We have not provided any valuation allowance as we believe the realization of our deferred tax assets is more likely than not.

A reconciliation of the beginning and ending liability for unrecognized tax benefits, all of which would impact the effective tax rate if recognized, is as follows:

Balance at December 31, 2013	\$ 172
Additions to tax positions related to prior years	—
Reductions due to statute expiration	(43)
Reductions due to exam settlements	(15)
Balance at December 30, 2014	<u>114</u>
Additions to tax positions related to prior years	315
Additions to tax positions related to current year	85
Reductions due to statute expiration	(11)
Reductions due to exam settlement	(98)
Balance at December 29, 2015	\$ <u>405</u>

We recognize both interest and penalties on unrecognized tax benefits as part of income tax expense. As of December 29, 2015 and December 30, 2014, the total amount of accrued penalties and interest related to uncertain tax provisions was not material.

All entities for which unrecognized tax benefits exist as of December 29, 2015 possess a December tax year-end. As a result, as of December 29, 2015, the tax years ended December 25, 2012, December 31, 2013 and December 30, 2014 remain subject to examination by all tax jurisdictions. As of December 29, 2015, no audits were in process by a tax jurisdiction that, if completed during the next twelve months, would be expected to result in a material change to our unrecognized tax benefits. Additionally, as of December 29, 2015, no event occurred that is likely to result in a significant increase or decrease in the unrecognized tax benefits through December 28, 2016.

(9) Preferred Stock

Our Board of Directors is authorized, without further vote or action by the holders of common stock, to issue from time to time up to an aggregate of 1,000,000 shares of preferred stock in one or more series. Each series of preferred stock will have the number of shares, designations, preferences, voting powers, qualifications and special or relative rights or privileges as shall be determined by the Board of Directors, which may include, but are not limited to, dividend

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rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights. There were no shares of preferred stock outstanding at December 29, 2015 and December 30, 2014.

(10) Stockholders' Equity

On May 22, 2014, our Board of Directors approved a stock repurchase program under which we may repurchase up to \$100.0 million of our common stock. This stock repurchase program has no expiration date and replaced a previous stock repurchase program which was approved on February 16, 2012. All repurchases to date under our stock repurchase program have been made through open market transactions. The timing and the amount of any repurchases will be determined by management under parameters established by our Board of Directors, based on an evaluation of our stock price, market conditions and other corporate considerations.

For the years ended December 29, 2015, December 30, 2014 and December 31, 2013, we paid approximately \$11.4 million, \$42.7 million and \$12.8 million to repurchase 321,789, 1,675,000 and 461,600 shares of our common stock, respectively.

On November 26, 2014, we issued 40,699 shares of our common stock in exchange for the remaining ownership interests in a franchise restaurant in which we previously owned 5%. See note 3 for further discussion.

(11) Earnings Per Share

The share and net income per share data for all periods presented are based on the historical weighted-average shares outstanding. The diluted earnings per share calculations show the effect of the weighted-average stock options, RSUs outstanding and certain performance stock units ("PSUs") from our equity incentive plans as discussed in note 13.

The following table summarizes the options and nonvested stock that were outstanding but not included in the computation of diluted earnings per share because their inclusion would have had an anti-dilutive effect:

	Fiscal Year Ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Nonvested stock	1,243	16,740	23,520
Options	—	—	—
Total	1,243	16,740	23,520

Performance stock units ("PSUs") are not included in the diluted earnings per share calculation until the performance-based criteria have been met. See note 13 for further discussion of PSUs.

The following table sets forth the calculation of earnings per share and weighted average shares outstanding (in thousands) as presented in the accompanying consolidated statements of income and comprehensive income:

	December 29, 2015	December 30, 2014	December 31, 2013
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 96,894	\$ 87,022	\$ 80,423
Basic EPS:			
Weighted-average common shares outstanding	70,032	69,719	70,089
Basic EPS	\$ 1.38	\$ 1.25	\$ 1.15
Diluted EPS:			
Weighted-average common shares outstanding	70,032	69,719	70,089
Dilutive effect of stock options and nonvested stock	715	889	1,273
Shares-diluted	70,747	70,608	71,362
Diluted EPS	\$ 1.37	\$ 1.23	\$ 1.13

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(12) Commitments and Contingencies

The estimated cost of completing capital project commitments at December 29, 2015 and December 30, 2014 was approximately \$129.4 million and \$153.2 million, respectively.

Effective December 31, 2013, we sold two restaurants, which operated under the name Aspen Creek, located in Irving, TX and Louisville, KY. We assigned the leases associated with these restaurants to the acquirer, but remain contingently liable under the terms of the leases if the acquirer defaults. We are contingently liable for the initial term of the lease and any renewal periods. The Irving lease has an initial term that expires December 2019, along with three five-year renewals. The Louisville lease has an initial term that expires November 2023, along with three five-year renewals. The assignment of the Louisville lease releases us from liability after the initial lease term expiration contingent upon certain conditions being met by the acquirer.

We entered into real estate lease agreements for five restaurant locations, listed in the table below, before granting franchise rights for those restaurants. We have subsequently assigned the leases to the franchisees, but remain contingently liable if a franchisee defaults, under the terms of the lease.

	Lease Assignment Date	Lease Term Expiration
Everett, Massachusetts(1)	September 2002	February 2018
Longmont, Colorado	October 2003	May 2019
Montgomeryville, Pennsylvania	October 2004	June 2021
Fargo, North Dakota(1)	February 2006	July 2021
Logan, Utah	January 2009	August 2019

(1) As discussed in note 17, these restaurants are owned, in whole or part, by certain officers, directors and 5% shareholders of the Company.

We are contingently liable for the initial term of the lease and any renewal periods. All of the leases have three five-year renewals.

As of December 29, 2015 and December 30, 2014, we are contingently liable for \$17.2 million and \$18.0 million, respectively, for the seven leases discussed above. These amounts represent the maximum potential liability of future payments under the guarantees. In the event of default, the indemnity and default clauses in our assignment agreements govern our ability to pursue and recover damages incurred. No material liabilities have been recorded as of December 29, 2015 as the likelihood of default was deemed to be less than probable and the fair value of the guarantees is not considered significant.

During the year ended December 29, 2015, we bought most of our beef from four suppliers. Although there are a limited number of beef suppliers, we believe that other suppliers could provide a similar product on comparable terms. A change in suppliers, however, could cause supply shortages and a possible loss of sales, which would affect operating results adversely. We have no material minimum purchase commitments with our vendors that extend beyond a year.

On September 30, 2011, the U.S. Equal Employment Opportunity Commission ("EEOC") filed a lawsuit styled Equal Employment Opportunity Commission v. Texas Roadhouse, Inc., Texas Roadhouse Holdings LLC, Texas Roadhouse Management Corp. in the United States District Court, District of Massachusetts, Civil Action Number 1:11-cv-11732. The complaint alleges that applicants over the age of 40 were denied employment in our restaurants in bartender, host, server and server assistant positions due to their age. The EEOC is seeking injunctive relief, remedial actions, payment of damages to the applicants and costs. We have filed an answer to the complaint, and the case is in discovery. We deny liability; however, in view of the inherent uncertainties of litigation, the outcome of this case cannot be predicted at this time. We cannot estimate the amount or range of loss, if any, associated with this matter.

Occasionally, we are a defendant in litigation arising in the ordinary course of business, including "slip and fall" accidents, employment related claims and claims from guests or employees alleging illness, injury or food quality, health or operational concerns. In the opinion of management, the ultimate disposition of these matters will not have a material effect on our consolidated financial position, results of operations or cash flows.

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(13) Share-based Compensation

On May 16, 2013, our stockholders approved the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the "Plan"). The Plan provides for the granting of incentive and non-qualified stock options to purchase shares of common stock, stock appreciation rights, and full value awards, including restricted stock, restricted stock units ("RSUs"), deferred stock units, performance stock and PSUs. This plan replaced the Texas Roadhouse, Inc. 2004 Equity Incentive Plan.

Beginning in 2008, we changed the method by which we provide share-based compensation to our employees by granting RSUs as a form of share-based compensation. An RSU is the conditional right to receive one share of common stock upon satisfaction of the vesting requirement. An PSU is the conditional right to receive one share of common stock upon meeting a performance obligation along with the satisfaction of the vesting requirement.

The following table summarizes the share-based compensation recorded in the accompanying consolidated statements of income and comprehensive income:

	Fiscal Year Ended		
	December 29, 2015	December 30, 2014	December 31, 2013
Labor expense	\$ 5,329	\$ 5,523	\$ 5,439
General and administrative expense	17,496	9,360	9,301
Total share-based compensation expense	<u>\$ 22,825</u>	<u>\$ 14,883</u>	<u>\$ 14,740</u>

Share-based compensation activity by type of grant as of December 29, 2015 and changes during the period then ended is presented below.

Summary Details for RSUs

	Shares	Weighted-Average Grant Date Fair Value	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 30, 2014	978,124	\$ 22.52		
Granted	769,926	35.56		
Forfeited	(39,388)	27.98		
Vested	(724,076)	22.04		
Outstanding at December 29, 2015	<u>984,586</u>	<u>\$ 32.86</u>	<u>1.2</u>	<u>\$ 35,511</u>

As of December 29, 2015, with respect to unvested RSUs, there was \$18.2 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 1.2 years. The vesting terms of the RSUs range from approximately 1.0 to 5.0 years. The total intrinsic value of RSUs vested during the years ended December 29, 2015, December 30, 2014 and December 31, 2013 was \$25.1 million, \$20.4 million and \$21.3 million, respectively. The excess tax benefit realized from tax deductions associated with vested restricted stock units for the years ended December 29, 2015, December 30, 2014 and December 31, 2013 was \$2.8 million, \$1.4 million and \$2.1 million, respectively.

Summary Details for PSUs

In 2015, we granted PSUs to two of our executives subject to a one-year vesting and the achievement of certain earnings targets, which determine the number of units to vest at the end of the vesting period. Share-based compensation is recognized for the number of units expected to vest at the end of the period and is expensed beginning on the grant date and through the performance period. For each grant, PSUs vest after meeting the performance and service conditions. The distribution of vested performance stock units as common stock will occur in the first quarter of 2016 and the first quarter of 2017.

On January 8, 2015 we granted PSUs with a grant date fair value of approximately \$4.0 million based on the grant date price per share of \$34.77. On January 8, 2016, 144,000 shares vested related to this PSU grant. On November 19, 2015 we granted PSUs with a grant date fair value of approximately \$3.9 million based on the grant date price per share

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of \$34.11. As of December 29, 2015, with respect to unvested PSUs, there was \$3.6 million of unrecognized compensation cost that is expected to be recognized over a weighted-average period of 1.0 years.

Summary Details for Stock Options

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at December 30, 2014	636,930	\$ 14.20		
Granted	—	—		
Forfeited	(2,324)	17.90		
Exercised	(306,108)	15.34		
Outstanding at December 29, 2015	328,498	\$ 13.10	1.3	\$ 7,542
Exercisable at December 29, 2015	328,498	\$ 13.10	1.3	\$ 7,542

No stock options were granted during the fiscal years ended December 29, 2015, December 30, 2014 and December 31, 2013.

The total intrinsic value of options exercised during the years ended December 29, 2015, December 30, 2014 and December 31, 2013 was \$6.5 million, \$6.1 million and \$11.2 million, respectively. No stock options vested during the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively.

For the years ended December 29, 2015, December 30, 2014 and December 31, 2013, cash received before tax withholdings from options exercised was \$4.7 million, \$5.3 million and \$15.1 million, respectively. The excess tax benefit realized from tax deductions associated with options exercised for the years ended December 29, 2015, December 30, 2014 and December 31, 2013 was \$1.7 million, \$1.5 million and \$2.8 million, respectively.

(14) Fair Value Measurement

ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs in measuring fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date.

- Level 1 Inputs based on quoted prices in active markets for identical assets.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly or indirectly.
- Level 3 Inputs that are unobservable for the asset.

There were no transfers among levels within the fair value hierarchy during the year ended December 29, 2015.

The following table presents the fair values for our financial assets and liabilities measured on a recurring basis:

	Level	Fair Value Measurements	
		December 29, 2015	December 30, 2014
Interest rate swaps	2	\$ (45)	\$ (1,375)
Deferred compensation plan—assets	1	17,401	14,963
Deferred compensation plan—liabilities	1	(17,416)	(14,974)

The fair values of our interest rate swaps were determined based on industry-standard valuation models. Such models project future cash flows and discount the future amounts to present value using market-based observable inputs including interest rate curves. See note 16 for discussion of our interest rate swaps.

The Second Amended and Restated Deferred Compensation Plan of Texas Roadhouse Management Corp., as amended, (the "Deferred Compensation Plan") is a nonqualified deferred compensation plan which allows highly compensated employees to defer receipt of a portion of their compensation and contribute such amounts to one or more

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Tabular amounts in thousands, except share and per share data)

investment funds held in a rabbi trust. We report the accounts of the rabbi trust in our consolidated financial statements. These investments are considered trading securities and are reported at fair value based on third-party broker statements. The realized and unrealized holding gains and losses related to these investments, as well as the offsetting compensation expense, are recorded in general and administrative expense in the consolidated statements of income and comprehensive income.

The following table presents the fair values for our assets and liabilities measured on a nonrecurring basis:

	Fair Value Measurements			Total losses	
	Level	December 29, 2015	December 30, 2014	52 Weeks Ended December 29, 30, 2015 2014	
Goodwill	3	\$ —	\$ —	\$ —	\$ 626

At December 30, 2014 the loss on goodwill in the table above relates to one underperforming restaurant in which the carrying value of the associated goodwill was reduced to zero based on their historical results and future trends of operations. We determined the fair value of the underperforming restaurant using unobservable inputs, including sales projections and present value techniques. This charge is included in Impairment and closure costs in our consolidated statements of income and comprehensive income. For further discussion of impairment charges, see note 15.

At December 29, 2015 and December 30, 2014, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated their carrying values based on the short-term nature of these instruments. The fair value of our amended revolving credit facility at December 29, 2015 and December 30, 2014 approximated its carrying value since it is a variable rate credit facility (Level 2). The fair value of our installment loan is estimated based on the current rates offered to us for instruments of similar terms and maturities. The carrying amounts and related estimated fair values for our installment loan are as follows:

	December 29, 2015		December 30, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Installment loan—Level 2	\$ 694	\$ 779	\$ 822	\$ 955

(15) Impairment and Closure Costs

We recorded impairment and closure costs of \$1.0 million, \$0.6 million and \$0.4 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively, related to goodwill and/or long-lived assets or costs associated with the closure of restaurants.

Impairment and closure costs in 2015 included \$1.0 million in closure costs associated with the relocation of two restaurants in the fourth quarter of 2015.

Impairment and closure costs in 2014 included \$0.6 million associated with the impairment of goodwill related to one restaurant. The goodwill impairment charges in 2014 resulted from our annual testing which relies, in part, on the historical trends and anticipated future trends of operations of individual restaurants.

Impairment and closure costs in 2013 included \$0.2 million related to the write-down of a building associated with one restaurant closed in 2009. The remaining \$0.2 million in expenses were ongoing closure costs associated with one restaurant that was closed in 2012 and one restaurant that was closed in 2009.

(16) Derivative and Hedging Activities

We enter into derivative instruments for risk management purposes only, including derivatives designated as hedging instruments under FASB ASC 815, Derivatives and Hedging ("ASC 815"). We use interest rate-related derivative instruments to manage our exposure to fluctuations of interest rates. By using these instruments, we expose ourselves, from time to time, to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. We attempt to minimize the credit risk by entering into transactions with high-quality counterparties whose credit rating is evaluated on a quarterly basis. Our counterparty in the interest rate swaps is JP

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Tabular amounts in thousands, except share and per share data)

Morgan Chase Bank, N.A. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. We minimize market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be taken.

Interest Rate Swaps

On October 22, 2008, we entered into an interest rate swap, starting on November 7, 2008, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our amended revolving credit facility. Under the terms of the swap, we paid a fixed rate of 3.83% on the \$25.0 million notional amount and received payments from the counterparty based on the one month LIBOR for a term ending on November 7, 2015, effectively resulting in a fixed rate on the LIBOR component of the \$25.0 million notional amount.

On January 7, 2009, we entered into an interest rate swap, starting on February 7, 2009, with a notional amount of \$25.0 million to hedge a portion of the cash flows of our variable rate borrowings. We have designated the interest rate swap as a cash flow hedge of our exposure to variability in future cash flows attributable to interest payments on a \$25.0 million tranche of floating rate debt borrowed under our amended revolving credit facility. Under the terms of the swap, we pay a fixed rate of 2.34% on the \$25.0 million notional amount and receive payments from the counterparty based on the one month LIBOR rate for a term ending on January 7, 2016, effectively resulting in a fixed rate on the \$25.0 million notional amount.

We entered into the above interest rate swaps with the objective of eliminating the variability of our interest cost that arises because of changes in the variable interest rate for the designated interest payments. Changes in the fair value of the interest rate swaps will be reported as a component of accumulated other comprehensive income or loss ("AOCI"). Additionally, amounts related to the yield adjustment of the hedged interest payments are subsequently reclassified into interest expense in the same period which the related interest affects earnings. We will reclassify any gain or loss from AOCI, net of tax, in our consolidated balance sheet to interest expense in our consolidated statement of income and comprehensive income when the interest rate swap expires or at the time we choose to terminate the swap. See note 14 for fair value discussion of these interest rate swaps.

The following table summarizes the fair value and presentation in the consolidated balance sheets for derivatives designated as hedging instruments under ASC 815:

	Balance Sheet Location	Derivative Assets		Derivative Liabilities	
		December 29, 2015	December 30, 2014	December 29, 2015	December 30, 2014
Derivative Contracts Designated as Hedging Instruments under ASC 815					
	(1)				
Interest rate swaps		\$ —	\$ —	\$ 45	\$ 1,375
Total Derivative Contracts		\$ —	\$ —	\$ 45	\$ 1,375

(1) As of December 29, 2015, derivative liabilities are included in other accrued liabilities on the consolidated balance sheet. As of December 30, 2014, the current portion of derivative liabilities is included in other accrued liabilities and the long-term portion is included in other liabilities.

The following table summarizes the effect of our interest rate swaps in the consolidated statements of income and comprehensive income for the 52 weeks ended December 29, 2015, December 30, 2014 and the 53 weeks ended December 31, 2013, respectively:

	December 29, 2015	December 30, 2014	December 31, 2013
Gain recognized in AOCI, net of tax (effective portion)	\$ 817	\$ 808	\$ 809
Loss reclassified from AOCI to income (effective portion)	\$ 1,397	\$ 1,480	\$ 1,474

The loss reclassified from AOCI to income was recognized in interest expense on our consolidated statements of

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Tabular amounts in thousands, except share and per share data)

income and comprehensive income. For each of the fiscal periods ended December 29, 2015, December 30, 2014 and December 31, 2013, we did not recognize any gain or loss due to hedge ineffectiveness related to the derivative instruments in the consolidated statements of income and comprehensive income.

(17) Accumulated Other Comprehensive Loss

The components of the changes in accumulated other comprehensive loss for the 52 weeks ended December 29, 2015 and December 30, 2014 were as follows:

	Cash Flow Hedges	Foreign Currency Translation	Accumulated Other Comprehensive Loss
Balance as of December 31, 2013	(1,652)	—	(1,652)
Other comprehensive loss before reclassifications	(159)	101	(58)
Reclassification adjustments to income (1)	1,480	—	1,480
Income taxes	(513)	(39)	(552)
Balance as of December 30, 2014	\$ (844)	\$ 62	\$ (782)
Other comprehensive loss before reclassifications	(67)	(235)	(302)
Reclassification adjustments to income (1)	1,397	—	1,397
Income taxes	(513)	91	(422)
Balance as of December 29, 2015	\$ (27)	\$ (82)	\$ (109)

(1) For further discussion of amounts reclassified to income, see note 16.

(18) Related Party Transactions

We have 10 franchise restaurants owned in whole or part by certain of our officers, directors and 5% stockholders of the Company as of December 29, 2015. As of December 30, 2014 and December 31, 2013, we had 14 and 15 franchise restaurants, respectively, owned in whole or part by certain of our officers, directors and 5% stockholders of the Company. These entities paid us fees of \$1.8 million, \$2.5 million and \$2.4 million for the years ended December 29, 2015, December 30, 2014 and December 31, 2013, respectively. As discussed in note 12, we are contingently liable on leases which are related to two of these restaurants.

On November 26, 2014, we acquired the remaining ownership interests of a franchise restaurant owned in part by us and certain officers or stockholders of the Company. Prior to this acquisition, we owned 5% interest in the franchise restaurant which we accounted for using the equity method. While we did exercise significant control over the restaurant prior to our acquisition of the remaining ownership interests, we did not consolidate their financial position, results of operations and/or cash flows as it was immaterial to our financial position, results of operations and/or cash flows. See note 3 for further discussion of the acquisition.

Texas Roadhouse, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

(Tabular amounts in thousands, except share and per share data)

(19) Selected Quarterly Financial Data (unaudited)

	2015				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	\$ 460,230	\$ 454,698	\$ 438,089	\$ 454,351	\$ 1,807,368
Total costs and expenses	\$ 411,630	\$ 423,002	\$ 407,533	\$ 420,638	\$ 1,662,803
Income from operations	\$ 48,600	\$ 31,696	\$ 30,556	\$ 33,713	\$ 144,565
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 32,292	\$ 21,138	\$ 20,482	\$ 22,982	\$ 96,894
Basic earnings per common share	\$ 0.46	\$ 0.30	\$ 0.29	\$ 0.33	\$ 1.38
Diluted earnings per common share	\$ 0.46	\$ 0.30	\$ 0.29	\$ 0.32	\$ 1.37
Cash dividends declared per share	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.68

	2014				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Revenue	\$ 397,142	\$ 395,363	\$ 385,218	\$ 404,425	\$ 1,582,148
Total costs and expenses	\$ 356,958	\$ 360,962	\$ 356,397	\$ 377,382	\$ 1,451,699
Income from operations	\$ 40,184	\$ 34,401	\$ 28,821	\$ 27,043	\$ 130,449
Net income attributable to Texas Roadhouse, Inc. and subsidiaries	\$ 26,465	\$ 23,081	\$ 18,881	\$ 18,595	\$ 87,022
Basic earnings per common share	\$ 0.38	\$ 0.33	\$ 0.27	\$ 0.27	\$ 1.25
Diluted earnings per common share	\$ 0.37	\$ 0.33	\$ 0.27	\$ 0.26	\$ 1.23
Cash dividends declared per share	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.60

In the fourth quarter of 2014, we recorded \$0.6 million (\$0.4 million after-tax) associated with the impairment of goodwill related to one restaurant in which the carrying value was reduced to fair value. See note 15 for further discussion of impairment and closure costs.

TEXAS ROADHOUSE, INC.
2013 LONG-TERM INCENTIVE PLAN
PERFORMANCE STOCK UNIT AWARD AGREEMENT

Unless otherwise defined herein, the terms defined in the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the “Plan”) will have the same defined meanings in this Performance Stock Unit Award Agreement (the “Agreement”).

I. NOTICE OF GRANT OF PERFORMANCE STOCK UNITS

Pursuant to the Plan, the Grantee has been granted a Full Value Award (the “Award”) in the form of performance stock units (referred to herein as the “Performance Stock Units”) which represent the right to receive shares of Common Stock (the “Shares”), subject to satisfaction of the vesting provisions contained in this Agreement and the Performance Stock Unit Grant Notice (the “Grant Notice”) (the form of which is attached hereto as Exhibit “A” and incorporated herein) and to the other terms and conditions of the Plan, this Agreement, the Grant Notice, and all employment agreements entered into between the Grantee and the Company (including any amendments thereto).

II. AGREEMENT

1. Grant of Performance Stock Units. Subject to the terms and conditions of this Agreement, the Company hereby grants to the Grantee, and the Grantee hereby accepts the grant subject to the terms set out, the conditional right to receive one Share for each Performance Stock Unit granted as set forth in the Grant Notice and subject to the terms and conditions of the Plan, which is incorporated herein by reference.

2. Termination of Continuous Service/Satisfaction of Performance Goals. All Performance Stock Units shall be unearned and unvested unless and until they become earned and vested in accordance with this Section 2, as follows:

(a) On the Certification Date (as defined below), the Grantee shall earn between 0% and 200% of the Target Performance Stock Units (as defined on Exhibit “A”), as determined by the Committee, based on (i) the Continuous Service of the Grantee during the period beginning on [], 201_ and ending on [], 201_, and (ii) the level of satisfaction of the Performance Goals set forth in Exhibit B hereto (which is incorporated into and forms a part of this Agreement) for the period commencing on [], 201_ and ending on [], 201_, which is the Company’s fiscal year (the “Performance Period”). Any Performance Stock Units granted pursuant to this Agreement that become earned in accordance with this Agreement shall be referred to herein as “Earned Performance Units”. The Earned Performance Units shall be settled in accordance with subsection 4 hereof. For purposes of this Agreement, the “Certification Date” is the date that the Committee certifies that the Performance Goals set forth in Exhibit B hereto have been satisfied, which date shall be no later than March 15, 201_.

(b) Except as provided in subsection 2(c), in the event the Grantee’s Continuous Service terminates for any or no reason prior to the Vesting Date, all of the Performance Stock Units shall be immediately forfeited and the right of the Grantee to receive Shares in settlement of the Performance Stock Units will be immediately forfeited by the Grantee.

(c) Notwithstanding any other provision of this Agreement, if the Grantee’s Continuous Service terminates because of death or Disability prior to the Vesting Date, then (i) the Grantee shall be treated as satisfying the requirement of Continuous Service on the Vesting Date, and (ii) the number of Performance Stock Units that will become Earned Performance Units on the Certification Date shall be equal to the number determined based on the satisfaction of the Performance Goals and as determined by the Committee on the Certification Date multiplied by a fraction, the numerator of which is the number of calendar months (or portions thereof) in the vesting period of the Award from the Date of Grant to the Grantee’s actual termination of Continuous Service and the denominator of which is the total number of calendar months or portion thereof in the vesting period of the Award as of the Date of Grant.

(d) Earned Performance Units shall be settled in accordance with subsection 4 hereof.

3. Transfer Prohibited. The Grantee may not assign, transfer, pledge or encumber in any way the Performance Stock Units or the Grantee's right to receive Shares hereunder. Any attempted assignment, transfer, pledge or encumbrance will be void.

4. Issuance of Shares Upon Certification. The Company will cause its transfer agent to issue to the Grantee in book entry the number of Shares subject to the Earned Performance Units less Shares withheld for withholding taxes under Section 7 below or Shares withheld under Section 14 below, if any in accordance with the following. Such transfer shall occur as soon as practicable following the Certification Date, but in no event prior to the Vesting Date and no later than March 15, 201_. In any case, if the Certification Date is a Saturday, Sunday or legal or banking holiday, the Certification Date will be adjusted to be that date which is the next following business day (but in no event later than March 1_, 201_). The Grantee shall not be considered the owner of the Shares for purposes of voting rights, dividends and taxation of the Shares until issuance.

5. Adjustments. Subject to the terms hereof, in the event of a stock dividend, stock split, reverse stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, exchange of shares, sale of assets or subsidiaries, combination, or other corporate transaction that affects the Common Stock such that the Committee determines, in its sole discretion, that an adjustment is warranted in order to preserve the benefits or prevent the enlargement of benefits of Awards under the Plan, the Committee shall, in the manner it determines equitable in its sole discretion, adjust the number and kind of shares subject to this award and shall make any other adjustments that the Committee determines to be equitable.

6. Change of Control. If a Change of Control (as defined below) occurs prior to the Vesting Date and the Grantee's Continuous Service is terminated by the Company without Cause (as defined in the 2015 Employment Agreement between the Grantee and the Company), or if the Grantee's Continuous Service is terminated by the Grantee for Good Reason (as defined in the 20__ Employment Agreement between the Grantee and Company) within 12 months following a Change in Control, or prior to a Change of Control at the direction of a person who has entered into an agreement with the Company, the consummation of which will constitute a Change of Control, and, in either case, contingent upon the Grantee's execution of a full release of claims (the "Release") in the manner set forth in the 2015 Employment Agreement between the Grantee and Company, then 100% of the Performance Stock Units shall become 100% immediately vested upon the 60th day following the Grantee's termination of Continuous Service provided that the foregoing conditions are satisfied upon such date (without regard to satisfaction of any Performance Goals) or such earlier date upon which the Release is effective and payment is permitted under Code Section 409A. Notwithstanding the Plan, for purposes of this Agreement the term "Change of Control" shall have the meaning set forth in the 20__ Employment Agreement between the Grantee and the Company.

7. Tax Consequences/Section 409A. The Award is subject to withholding of all applicable taxes. On the issuance date, the Company shall withhold Shares otherwise deliverable to the Grantee with a Fair Market Value equal to the minimum required withholding taxes on the Performance Stock Units from the Shares that would otherwise be issued to the Grantee, as determined by the Company in its reasonable discretion. This Award is intended to be exempt from or to comply with the requirements of section 409A of the Code so that none of the Performance Stock Units provided under this Agreement or Shares issuable thereunder will be subject to the additional tax imposed under section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding any other provision of this Agreement to the contrary, if the Grantee is a "specified employee" within the meaning of section 409A of the Code and if any of the payments under this Agreement are subject to section 409A, any payments that are subject to section 409A and that are payable as a result of the Grantee's separation from service (within the meaning of section 409A) will be deferred until the first day of the seventh month following the Grantee's separation from service. None of the Company or any Affiliate makes any representation regarding the tax consequences of this Award and the Grantee hereby acknowledges and agrees that the ultimate liability for any and all taxes is and remains the Grantee's responsibility and liability.

8. No Guarantee of Continuous Service. THE GRANTEE ACKNOWLEDGES AND AGREES THAT VESTING OF THE RESTRICTED STOCK UNITS IS EARNED ONLY BY CONTINUOUS SERVICE

AT THE WILL OF THE COMPANY. THE GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH IN THE GRANT NOTICE DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED EMPLOYMENT OR SERVICE FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE WITH THE GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE THE GRANTEE'S EMPLOYMENT OR SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Notices. Any notice, demand or request required or permitted to be given by either the Company or the Grantee pursuant to the terms of this Agreement will be in writing and will be deemed given when delivered or when delivery is refused. Notices shall be either personally delivered, sent by overnight delivery via a reputable carrier or mailed through the United States Postal Service, registered or certified with return receipt requested with postage prepaid, and addressed to the parties at the addresses of the parties set forth at the end of this Agreement or such other address as a party may request by notifying the other in writing. Notwithstanding the foregoing, Grant Notices may be delivered electronically.

10. No Waiver. Either party's failure to enforce any provision or provisions of this Agreement will not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and will not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

11. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon the Grantee and his or her heirs, executors, administrators, successors and assigns.

12. Interpretation. Any dispute regarding the interpretation of this Agreement will be submitted by the Grantee or by the Company forthwith to the Committee which will review such dispute at its next regular meeting. The resolution of such a dispute by the Committee will be final and binding on all parties.

13. Governing Law; Severability. This Agreement is governed by the internal substantive laws, but not the choice of law rules, of the Commonwealth of Kentucky.

14. Right to Withhold Amounts Owed to the Company. The Company shall have the right to withhold Shares otherwise deliverable to the Grantee with a Fair Market Value equal to all amounts then due and owing by the Grantee to the Company or any subsidiary or affiliate of the Company.

15. Entire Agreement. The Plan is incorporated herein by reference. This Agreement, the Grant Notice, the Plan and all employment agreements entered into between the Grantee and the Company (including any amendments thereto) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee.

16. Application to all Grant Notices and Awards. The Grantee agrees and acknowledges that all Performance Stock Units granted to the Grantee from time to time under the Plan will be subject to the terms and conditions of this Agreement, the Plan and each Grant Notice received by the Grantee from time to time, whether such Grant Notice is transmitted via electronic transmission or otherwise.

[Signatures Follow]

IN WITNESS WHEREOF, the parties have subscribed their names hereto. By the Grantee's signature below, the Grantee represents that he or she is familiar with the terms and provisions of the Plan, and hereby accepts this Agreement subject to all of the terms and provisions thereof. The Grantee has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement.

TEXAS ROADHOUSE, INC.

Dated: _____

By: _____
Name: _____
Title: _____

Address for Notices:
Attention: General Counsel
6040 Dutchmans Lane
Louisville, Kentucky 40205

GRANTEE:

Dated: _____

By: _____
[]

SSN _____

Address: _____

EXHIBIT A

GRANT NOTICE

TEXAS ROADHOUSE, INC.

**PERFORMANCE STOCK UNIT GRANT NOTICE
(2013 LONG-TERM INCENTIVE PLAN)**

TEXAS ROADHOUSE, INC. (the “Company”), pursuant to its 2013 Long-Term Incentive Plan (the “Plan”), hereby grants to the Grantee a Full Value Award in the form of the Performance Stock Units set forth below. This grant is subject to all of the terms and conditions as set forth herein, on Exhibit B, in the Performance Stock Unit Award Agreement (the “Agreement”), and in the Plan, which the Grantee has previously received and are incorporated herein in their entirety.

Grantee: []

Date of Grant: []

Vesting Date: []

Target Performance Stock Units	Portion of Target Grant Based on EPS Performance Goal	Portion of Target Grant Based on Pre-tax Profit Goal	Minimum Aggregate Potential Grant	Maximum Aggregate Potential Grant
[]	[]%	[]%	0	[]

ADDITIONAL TERMS/ACKNOWLEDGEMENTS: By receipt hereof, the Grantee acknowledges receipt of, and understands and agrees to, this Performance Stock Unit Grant Notice (the “Grant Notice”), the Agreement and the Plan. The Grantee further acknowledges that as of the Date of Grant, this Grant Notice, the Agreement, the Plan and all employment agreements entered into between the Grantee and the Company (including any amendments thereto) set forth the entire understanding between the Grantee and the Company regarding this Award and supersede all prior oral and written agreements on that subject.

EXHIBIT B

PERFORMANCE GOALS

(2013 LONG-TERM INCENTIVE PLAN)

The Performance Stock Units granted under the Agreement shall become Earned Performance Units* based on the satisfaction of an EPS growth target and a pre-tax profit target (collectively, the "Performance Goals") determined as follows:

EPS

[]% of the Performance Stock Units granted pursuant to the Agreement will be based on an EPS growth target. The EPS target opportunity is based on annual growth in EPS of 10% which would result in 100% achievement of []% of the Performance Stock Units. That would be reduced or increased by 10% for every 1% of annual growth in EPS less than or in excess of the 10% goal. For example, if 11% growth were to be achieved, 110% of []% of the Performance Stock Units would become Earned Performance Units; if 9% growth is achieved, 90% of []% of the Performance Stock Units would become Earned Performance Units.

Pre-tax Profit

[]% of the Performance Stock Units granted pursuant to the Agreement will be based on a pre-tax profit target. The pre-tax profit target opportunity would be equal to the percentage payout of 1.5% of pre-tax earnings divided by the bonus pool target set by the Compensation Committee for the Performance Period. For example, if 1.5% of pre-tax earnings was \$2.2 million and the total bonus target pool is \$2.0 million, the percentage payout would be 110%, and 110% of the []% of the Performance Stock Units would become Earned Performance Units.

*In any event, the total number of Earned Stock Units shall not exceed 200% of the target number of Performance Stock Units.

**ONE PARAGON CENTRE
LEASE AGREEMENT**

BY AND BETWEEN

**PARAGON CENTRE HOLDINGS, LLC, AS LANDLORD AND
TEXAS ROADHOUSE HOLDINGS LLC, AS TENANT**

December 11, 2012

LEASE AGREEMENT

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LEASE AGREEMENT

THIS LEASE AGREEMENT (this "Lease") is made and entered into as of the _____ day of _____, 2012, by and between PARAGON CENTRE HOLDINGS, LLC, a Kentucky limited liability company ("Landlord"), whose address is 6060 Dutchmans Lane, Suite 110, Louisville, Kentucky 40205, and TEXAS ROADHOUSE HOLDINGS LLC, a Kentucky limited liability company ("Tenant"), whose address is 6040 Dutchmans Lane, Louisville, Kentucky 40205; Attn: Legal Department. Subject to all of the terms, provisions, covenants and conditions of this Lease, and in consideration of the mutual covenants, obligations and agreements contained in this Lease, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Landlord and Tenant agree as follows:

ARTICLE 1.

BASIC LEASE PROVISIONS

Landlord, for and in consideration of the rents and all other charges and payments hereunder and of the covenants, agreements, terms, provisions and conditions to be kept and performed hereunder by Tenant, demises and leases to Tenant, and Tenant hereby hires and takes from Landlord, the premises described below, subject to all matters hereinafter set forth and upon and subject to the covenants, agreements, terms, provisions and conditions of this Lease for the term hereinafter stated. For purposes of this Lease, the following terms shall have the meanings ascribed to them below:

Base Year shall mean calendar year 2013.

Building shall mean the approximately square foot structure situated upon the Land (hereinafter defined) commonly known as One Paragon Centre located at 6060 Dutchmans Lane, Louisville, Jefferson County, Kentucky 40205, as the same currently exists or as it may from time to time hereafter be expanded or modified.

Commencement Date shall mean January 1, 2013.

Expiration Date shall mean December 31, 2017.

Land shall mean that certain tract of land situated in Jefferson County, Kentucky, and more particularly described on Exhibit A attached hereto and hereby made a part hereof.

Lease Year shall mean each consecutive twelve (12) month period during the Term commencing with the Commencement Date.

Project shall mean the Building, together with the Land, and the parking area serving the Building, if any, all other improvements situated on the Land or directly benefiting the Building, and all additional facilities or improvements directly benefiting the Building that may be constructed in subsequent years.

ARTICLE II.

Section 2.1 Premises. The Premises demised by this Lease are deemed to be approximately 3,424 square feet of Rentable Area (as hereinafter defined) known or to be known as Suites 140 and 150, on Floor 1 of the Building, together with the nonexclusive use of the common areas of the Project (collectively, the "Premises"). The Premises are outlined on Exhibit B attached hereto and hereby made a part hereof. All square footage (the "Rentable Area") utilized in this Lease has been, or will be as to future space, made by measuring the gross area within the inside surface of the outer glass of the exterior walls of the Premises, to the mid-point of any walls separating portions of the Premises from Common Areas and Services Areas, subject to the following: (a) Rentable Area shall not include any Service Area; (b) Rentable Area shall include a pro rata portion of the Common Areas in the Building, such proration based upon the ratio of the Rentable Area within the Premises to the total Rentable Area in the Building, both determined without regard to the Common Areas; and (c) Rentable Area shall include any columns and/or projection(s) which protrude into the Premises and/or the Common Areas. For purposes of the foregoing, "Service Areas" shall mean those areas of the Building within the outside walls used for elevator mechanical rooms, building stairs, fire towers, elevator shafts, flue, vents, stacks, pipe shafts and vertical ducts (but shall not include any such areas for the use of any particular tenant); and "Common Areas" shall mean those areas of the Building devoted to corridors, elevator foyers, atria, restrooms, mechanical rooms, janitorial closets, electrical and telephone closets, vending areas and other facilities provided for the common use or benefit of tenants generally and/or the public. For all other purposes of this Lease except the foregoing calculation of Rentable Area, the term "Common Areas" shall also mean all other areas and facilities, including lobbies, parking facilities, sidewalks, landscapings, driveways, restrooms and similar improvements, serving the Building and/or the Project. Unless otherwise specifically designated, all references to square footage or square feet in this Lease are to Rentable Area.

Section 2.2 Term. The Term of this Lease shall begin on the Commencement Date set forth above and shall expire on the Expiration Date unless extended or sooner terminated in accordance with the provisions of this Lease.

Section 2.3 Use. The Premises are to be used only for general office purposes and for no other business or purpose without the prior written consent of Landlord. No act shall be done in or about the Premises that is unlawful or that will increase the existing rate of insurance on the Building. In the event of a breach of this covenant, Tenant shall immediately cease the performance of such unlawful act or such act that is increasing or has increased the existing rate of insurance and shall pay to Landlord any and all increases in insurance premiums resulting from such breach. Tenant shall not commit or allow to be committed any waste upon the Premises, or any public or private nuisance or other act or thing which disturbs the

quiet enjoyment of any other tenant in the Building. If any of Tenant's office machines or equipment unreasonably disturb any other tenant in the Building, then Tenant shall provide adequate insulation, or take such other action as may be necessary to eliminate the noise or disturbance at its sole cost and expense. Tenant shall not without Landlord's prior consent install any equipment, machine, device, tank or vessel which is subject to any federal, state or local permitting requirement. Tenant at its expense, shall comply with all laws, statutes, ordinances and governmental rules, regulations or requirements governing the installation, operation and removal of any such equipment, machine, device, tank or vessel. Tenant at its expense, shall comply with all laws, statutes, ordinances, governmental rules, regulations or requirements, and the provisions of any recorded documents now existing or hereafter in effect relating to its use, operation or occupancy of the Premises and shall observe such reasonable rules and regulations as may be adopted and made available to Tenant by Landlord from time to time for the safety, care and cleanliness of the Premises or the Building and for the preservation of good order therein. The current rules and regulations for the Building are attached hereto as Exhibit E.

ARTICLE III.

Section 3.1 Rental Payments.

(a) Base Rent. Commencing on the Commencement Date and continuing thereafter throughout the Term, Tenant shall pay the Base Rent described in this paragraph, which is due and payable each Lease Year during the Term hereof in twelve (12) equal installments on the first (1st) day of each calendar month during the Term, and Tenant shall make such installments to Landlord at Landlord's address specified in this Lease (or such other address as may be designated by Landlord from time to time) monthly in advance. Base Rent during the Term shall be as follows:

Lease Months		Base Rent Per Rentable Square Foot	Base Rent Annually	Base Rent Monthly
1-7		N/A	N/A	\$ 0.00
8		N/A	N/A	\$ 1,736.00
9-12	\$	18.75	\$ 64,200.00	\$ 5,350.008
13-24	\$	19.31	\$ 66,117.44	\$ 5,509.79
25-36	\$	19.89	\$ 68,103.36	\$ 5,675.28
37-48	\$	20.49	\$ 70,157.76	\$ 5,846.48
49-60	\$	21.10	\$ 72,246.40	\$ 6,020.53

(b) Rent Credit. Intentionally deleted.

(c) Partial Month. If the Commencement Date is other than the first (1st) day of a calendar month or if this Lease expires or terminates on a day other than the last day of a calendar month, then the installments of Base Rent for such month or months shall be prorated based upon multiplying the applicable Base Rent by a fraction, the numerator of which shall be the number of days of the Term occurring during said commencement or termination month, as the case may be, and the denominator of which shall be the number of days in such month.

(d) Payment; Late Charge; Past Due Rate. The Base Rent, the Additional Rent (hereinafter defined), and any and all other payments which Tenant is obligated to make to Landlord under this Lease shall constitute and are sometimes hereinafter collectively referred to as "Rent." Tenant shall pay all Rent and other sums of money as shall become due from and payable by Tenant to Landlord in lawful money of the United States of America at the times and in the manner provided in this Lease, without demand, deduction, abatement, setoff, counterclaim or prior notice. Tenant hereby acknowledges that late payment to Landlord of Rent or other sums due hereunder will cause Landlord to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. If any Rent or other sum due from Tenant is not received on or before its due date, then Tenant shall pay to Landlord immediately upon Landlord's demand therefor a late charge in an amount equal to five percent (5%) of such overdue amount plus any attorneys' fees and costs incurred by Landlord by reason of Tenant's failure to pay Rent and other charges when due hereunder. Additionally, all Rent under this Lease shall bear interest from the date due until paid at the lesser of twelve percent (12%) or the maximum nonusurious rate of interest then permitted by the applicable laws of the state in which the Building is located or the United States of America, whichever shall permit the higher nonusurious rate, such interest being in addition to and cumulative of any other rights and remedies which Landlord may have with regard to the failure of Tenant to make any such payments under this Lease.

Section 3.2 Additional Rent.

(a) Definitions:

(i) "Base Operating Expenses" means Operating Expenses (hereinafter defined) for the Base Year.

(ii) "Operating Expenses" means all expenses, costs and disbursements of every kind and nature relating to or incurred or paid in connection with the ownership and operation of the Project, computed on an accrual basis in accordance with generally accepted accounting principles consistently applied, including but not limited to the following:

(A) wages and salaries of all persons engaged in the operation, maintenance, security or access control of the Project, including all taxes, insurance and benefits relating thereto;

(B) the cost of all supplies, tools, equipment and materials used in the operation and maintenance of the Project, including rental fees for the same, if such items are not purchased and amortized pursuant to this

Section 3.2 below;

(C) the cost of all utilities for the Project, including but not limited to the cost of water and power, heating, lighting, air conditioning and ventilating (excluding those costs billed to specific tenants) of the Building and Project;

(D) the cost of all maintenance and service agreements for the Project and the equipment therein, including but not limited to alarm service, security service, access control, landscaping, window cleaning, pest control, elevator maintenance and janitorial service;

(E) the cost of repairs and general maintenance, excluding (y) repairs and general maintenance paid by proceeds of insurance, by Tenant or by other third parties, and (z) alterations attributable solely to tenants of the Building;

(F) amortization (together with reasonable financing charges) of the cost of capital investment items which are installed for the purpose of reducing operating expenses, promoting safety, complying with governmental requirements or maintaining the quality of the Building;

(G) the cost of all insurance relating to the Project, including, but not limited to, the cost of property insurance, casualty, rental loss and liability insurance applicable to the Project and Landlord's personal property used in connection therewith and the cost of deductibles paid on claims made by Landlord;

(H) Landlord's and/or Landlord's managing agent's reasonable accounting and audit costs and attorneys' fees applicable to the Project, so long as such costs are related solely to Landlord's accounting, auditing and attorneys' services necessary for the operation of the Building and are not related to Landlord's existence, either as a corporation, partnership, or other entity;

(I) all property management fees for the Project not to exceed five percent (5%) of the gross revenues for the Project; and

(J) all taxes, assessments and governmental charges, whether or not directly paid by Landlord, whether federal, state, county or municipal and whether they are imposed by taxing districts or authorities currently taxing the Project or by others subsequently created or otherwise, and any other taxes and assessments, assessed against or attributable to the Project or its operation, excluding, however, federal and state taxes on income, death taxes, franchise taxes and any taxes imposed or measured on or by the income of Landlord from the operation of the Project or imposed in connection with any change of ownership of the Project together with the reasonable cost (including attorneys, consultants and appraisers) of any negotiation, contest or appeal pursued by Landlord in an effort to reduce any such tax, assessment or charge, and all of Landlord's administrative costs in relation to the foregoing ("Real Estate Taxes") up to the amount by which taxes are reduced by said contract or negotiation; provided, however, that if at any time during the Term the present method of taxation or assessment shall be so changed that the whole or any part of the taxes, assessments, levies, impositions or charges now levied, assessed or imposed on real estate and the improvements thereof shall be changed and as a substitute therefor, or in lieu of or in addition thereto, taxes, assessments, levies, impositions or charges shall be levied, assessed or imposed wholly or partially as a capital levy or otherwise on the rents received from the Project or the rents reserved herein or any part thereof, then such substitute or additional taxes, assessments, levies, impositions or charges, to the extent so levied, assessed or imposed, shall be deemed to be included within the Real Estate Taxes to the extent that such substitute or additional tax would be payable if the Project were the only property of the Landlord subject to such tax.

(iii) "Adjustment Period" means each calendar year occurring during the Term beginning with calendar year 2014, which shall be the first Adjustment Period.

(iv) "Tenant's Pro Rata Share" means the percentage calculated by dividing the rentable area of the Premises (numerator) by the rentable area of the Building (denominator), and expressing the fraction as a percentage.;

(b) Gross-Up Adjustment. if the Building is less than fully occupied or if Building Standard Landlord Services are not provided to the entire Building during the Base Year or any Adjustment Period, then Operating Expenses for the Base Year or such Adjustment Period shall be "grossed up" by Landlord to that amount of Operating Expenses that, using reasonable projections, would normally be expected to be incurred during the Base Year or Adjustment Period if the Building was ninety-five percent (95%) occupied and receiving Building Standard Landlord Services during the Adjustment Period, as determined under generally accepted accounting principles consistently applied.

(c) Payment by Tenant. If the Operating Expenses for any Adjustment Period exceeds the Base Operating Expenses (any such excess being known collectively as the "Expense Increase"), then Tenant agrees to pay Landlord as additional rent (the "Additional Rent") Tenant's Pro Rata Share of the Expense Increase.

(d) Manner of Payment.

(i) Landlord may give Tenant notice of Landlord's estimate of amounts payable under this Section 3.2 for each Adjustment Period based upon generally accepted accounting principles consistently applied. By the first day of each month during the Adjustment Period, Tenant shall pay Landlord one-twelfth (1/12th) of the estimated amount. If for any reason the estimate is not given before the Adjustment Period begins, Tenant shall continue to pay on the basis of the previous year's estimate, if any, until the month after the new estimate is given.

(ii) Within one hundred twenty (120) days after each Adjustment Period ends, or as soon thereafter as reasonably practical, Landlord shall give Tenant a statement (the "Statement") showing the: (A) actual Operating Expenses for the Adjustment Period; (B) Base Operating Expenses; (C) the Expense Increase for the Adjustment Period; (D) the amount of Tenant's Pro Rata Share of the Expense Increase; (E) the amount, if any, paid by Tenant during the Adjustment Period towards the Expense Increase; and (F) the amount Tenant owes towards the Expense Increase or the amount Landlord owes as a refund. Delay by Landlord in providing to Tenant any Statement shall not relieve Tenant from the obligation to pay any Expense Increase upon the rendering of such Statements.

(iii) If the Statement shows that the actual amount Tenant owes for the Adjustment Period is less than any estimated Expense Increase paid by Tenant during the Adjustment Period, Landlord shall return the difference (the "Overpayment"). If the Statement shows that the actual amount Tenant owes is more than any estimated Expense Increase paid by Tenant during the Adjustment Period, Tenant shall pay the difference (the "Underpayment"). The Overpayment or Underpayment shall be paid within thirty (30) days after the Statement is delivered to Tenant.

(iv) During any Adjustment Period in which this Lease is not in effect for a complete calendar year, unless it was ended due to Tenant's default, Tenant's obligation for Additional Rent for those Adjustment Periods shall be prorated by multiplying the Additional Rent for the Adjustment Period by a fraction expressed as a percentage, the numerator of which is the number of days of the Adjustment Period included in the Term and the denominator of which is 365.

(e) Right to Audit. In the event that within ninety (90) days after Tenant's receipt of the Statement for the prior calendar year, Tenant reasonably believes that certain of the Operating Expenses charged by Landlord include costs that are not properly included within the term "Operating Expenses" or that Landlord has erred in calculating same, Tenant shall have the right to audit Landlord's books and records in accordance with this paragraph. Tenant shall exercise such audit right by providing Landlord with a written notice of Tenant's exercise of such audit right within such 90-day period and a statement enumerating reasonably detailed reasons for Tenant's objections to the Statement issued by Landlord (the "Audit Notice"). Upon the receipt by Landlord of an Audit Notice, Landlord shall instruct its property manager at the Building to meet with a designated employee of Tenant (the "Tenant Representative") to discuss the objections set forth in the Audit Notice. Landlord shall provide the Tenant Representative with reasonable access to Landlord's books and records at the Building relating to Operating Expenses for the calendar year in question in order to attempt to resolve the issues raised by Tenant in the Audit Notice. If, within ninety (90) days after Landlord's receipt of the Audit Notice, Landlord and Tenant are unable to resolve Tenant's objections, then not later than thirty (30) days after the expiration of such 90-day period, Tenant shall notify Landlord if Tenant wishes to employ an independent, reputable certified public accounting firm charging for its services on an hourly rate (and not a contingent fee) basis ("Acceptable Accountants") to inspect and audit Landlord's books and records for the Building relating to the objections raised in Tenant's statement. Such audit shall be limited to a determination of whether or not Landlord calculated the Operating Expenses in accordance with the terms and conditions of this Lease and normal and customary accounting methods used by owners of similar buildings in the area for calculating Tenant's Expense Increase. All costs and expenses of any such audit shall be paid by Tenant. Any audit performed pursuant to the terms of this section shall be conducted only by the Acceptable Accountants at the offices of Landlord's property manager at the Building. Notwithstanding anything contained herein to the contrary, Tenant shall be entitled to exercise its audit right pursuant to this section only in strict accordance with the foregoing procedures no more often than once per calendar year and each such audit shall relate only to the calendar year most recently ended. In the event that Tenant fails to notify Landlord within the foregoing 90-day period that Tenant objects to the Statement, then Tenant's right to audit such year's Statement shall be null and void.

Section 3.3 Security Deposit. As security for its full and faithful performance of this Lease, Tenant shall pay Landlord a security deposit of N/A Dollars (\$) upon execution of this Lease (the "Security Deposit"). If Tenant defaults with respect to any covenant or condition of this Lease, including but not limited to the payment of Rent or any other payment due under this Lease, Landlord may apply all or any part of the Security Deposit to the payment of any sum in default or any other sum which Landlord may be required to or deem necessary to spend or incur by reason of Tenant's default. In such event, Tenant shall, upon demand, deposit with Landlord the amount so applied to replenish the Security Deposit. Within thirty (30) days of the expiration or sooner termination of this Lease, Landlord will refund the Tenant the Security Deposit less any amounts necessary to cure any default of Tenant under this Lease.

ARTICLE IV.

Section 4.1 Services.

(a) Services Provided. Landlord shall furnish to Tenant while Tenant is occupying the Premises:

(i) Hot and cold domestic water in common use, restrooms and toilets in locations provided for general use and as reasonably deemed by Landlord to be in keeping with the Project standards.

(ii) Heating and air conditioning in season from 7:00 a.m. to 6:00 p.m. on Monday through Friday and 8:00 a.m. to 2:00 p.m. on Saturday, excluding the hereinafter defined Holidays, subject to curtailment as required by governmental laws, rules or regulations, in such amounts as are considered by Landlord to be standard, but such service at times during weekdays other than the hours stated above, and on Saturdays, Sundays and Holidays, shall be furnished only upon request of Tenant, and for such service Tenant shall pay Landlord upon demand an amount equal to the rate Landlord, at that time is charging for such service.

(iii) Electric lighting service for all public areas and special service areas of the Building in the manner and to the extent deemed by Landlord to be standard.

(i v) Janitor service on a five (5) day week basis in a manner considered by Landlord in its reasonable discretion to be standard as compared to other similarly situated multi-tenant office buildings in the vicinity; provided, however, if Tenant's floor coverings or other improvements require special care, Tenant shall pay the additional cleaning cost attributable thereto. In the event that Tenant elects to provide its own janitorial services to the Premises or any specific Suite within the Premises, Landlord shall ensure that the Tenant's Pro Rata Share of Operating Expenses is appropriately credited for the amounts not expended by Landlord.

(v) Access control for the Project comparable as to coverage, control and responsiveness (but not necessarily as to means for accomplishing same) to other similarly situated multi-tenant office buildings in the vicinity; provided, however, Landlord shall have no responsibility to prevent, and shall not be liable to Tenant for, any liability or loss to Tenant, its agents, employees and visitors arising out of losses due to theft, burglary, or damage or injury to persons or property caused by persons gaining access to the Premises, and Tenant hereby releases Landlord from all liability for such losses, damages or injury unless due to Landlord's gross negligence, except to the extent covered by proceeds of Tenant's insurance coverage, which Tenant shall maintain hereunder and proceed against first.

(v i) Sufficient electrical capacity to operate (i) incandescent lights, typewriters, calculating machines, photocopying machines and other machines of similar low voltage electrical consumption (120/208 volts), provided that the total rated electrical design load for said lighting and machines of low electrical voltage shall not exceed two (2.00) watts per square foot of rentable area; and (ii) lighting and equipment of high voltage electrical consumption (277/480 volts), provided that the total rated electrical design load for said lighting and equipment of high electrical voltage shall not exceed two (2.00) watts per square foot of rentable area (each such rated electrical design load to be hereinafter referred to as the "Building Standard rated electrical design load"). Tenant shall be allocated Tenant's pro rata share of the Building Standard circuits provided on the floor(s) Tenant occupies.

Should Tenant's fully connected electrical design load exceed the Building Standard rated electrical design load for either low or high voltage electrical consumption, or if Tenant's electrical design requires low voltage or high voltage circuits in excess of Tenant's share of the Building Standard (as defined below) circuits, Landlord will (at Tenant's expense) install one (1) additional high voltage panel and/or one (1) additional low voltage panel with associated transformer, space for which has been provided in the base building electrical closets based on a maximum of two (2) such additional panels per floor for all tenants on the floor (which additional panels and transformers shall be hereinafter referred to as the "Additional Electrical Equipment"). If the additional electrical equipment is installed because Tenant's low or high voltage rated electrical design load exceeds the applicable Building Standard rated electrical design load, then a meter shall also be added (at Tenant's expense) to measure the electricity used through the additional electrical equipment. For purposes herein "Building Standard" means the quantity and quality of materials, finishes, and workmanship from time to time specified as such by Landlord for the Building.

The design and installation of any additional electrical equipment (or related meter) required by Tenant shall be subject to the prior approval of Landlord (which approval shall not be unreasonably withheld). All reasonable expenses incurred by Landlord in connection with the review and approval of any additional electrical equipment shall also be reimbursed to Landlord by Tenant. Tenant shall also pay within ten (10) days of Landlord's demand therefor the actual metered cost of electricity consumed through the additional electrical equipment (if applicable), plus any reasonable accounting expenses incurred by Landlord in connection with the metering thereof.

If any of Tenant's electrical equipment requires conditioned air in excess of Building Standard air conditioning, the same shall be installed by Landlord (on Tenant's behalf), and Tenant shall pay all design, installation, metering and operating costs relating thereto.

If Tenant requires that certain areas within the Premises must operate in excess of the normal Building operating hours set forth above, the electrical service to such areas shall be separately circuited and metered such that Tenant shall be billed the costs associated with electricity consumed during hours other than Building operating hours.

(vii) All fluorescent bulb and ballast replacement for Building Standard lighting in all areas and all incandescent bulb replacement in public areas, toilet and restroom areas and stairwells.

(viii) Nonexclusive operatorless passenger elevator service to the Premises twenty-four (24) hours per day; provided, that Landlord may reasonably limit the number of elevators in operation on weekdays after normal business hours and on Saturdays, Sundays and Holidays.

(b) Cessation of Services. To the extent the services described in Section 4.1(a) of this Lease require electricity, gas and water supplied by public utilities, Landlord's covenants thereunder shall only impose on Landlord the obligation to use its best efforts to cause the applicable public utilities to furnish the same. Failure by Landlord to furnish the services described in this Section 4.1 to any extent, or any cessation thereof, shall not render Landlord in default hereunder or liable in any respect for damages to either person or property, or be construed as an eviction of Tenant, or work an abatement of Rent, or relieve Tenant from fulfillment of any covenant or agreement hereof. In addition to the foregoing, should any of the equipment or machinery break down, cease to function properly for any cause, or be intentionally turned off for testing or maintenance purposes, Tenant shall have no claim for abatement or reduction of Rent or damages on account of an interruption in service occasioned thereby or resulting therefrom; provided, however, Landlord agrees to use diligent efforts to repair said equipment or machinery and to restore said services.

Notwithstanding anything to the contrary contained in this Lease, if Tenant cannot reasonably use the Premises for Tenant's intended business operations by reason of any interruption in services to be provided by Landlord (and Tenant does

not in fact use the Premises) and such condition exists for five (5) business days, then Tenant's Base Rent shall be equitably abated for that portion of the Premises that Tenant is unable to use for Tenant's intended business operations until such service is restored to the Premises. Tenant shall not, however, be entitled to any abatement of Base Rent if the interruption or abatement in service or the failure by Landlord to furnish such service is the result of force majeure or is the result of an interruption or abatement in service of a public utility (each an "Unavoidable Interruption"). By way of example only, there shall be no abatement of Base Rent if Landlord is unable to furnish water or electricity to the Premises if no water or electricity is then being made available to the Building by the supplying utility company or municipality. At the time of the loss of service, Tenant must give written notice promptly to Landlord of the loss of service and its claim for abatement and Tenant only shall be entitled to abatement of Base Rent in proportion to the area rendered unusable. Landlord may prevent or stop abatement by providing substantially the same service in similar quality and quantity by temporary or alternative means until the cause of the loss of service can be corrected. Such abatement shall be Tenant's sole remedy for loss of service; provided, however, that if such interruption of service to be provided by Landlord persists for sixty (60) consecutive days and such interruption is not the result of an Unavoidable Interruption, Tenant shall have the right to terminate this Lease. Such right shall be exercisable only within the ten (10) day period immediately following the expiration of such sixty (60) consecutive day period. Notwithstanding the foregoing, if any interruption in services renders all or substantially all of the Premises unusable for two hundred forty (240) or more consecutive days (and Tenant does not, in fact, use all or such portion of the Premises) then Tenant shall have the right to terminate this Lease. Such right shall be exercisable only within the ten (10) day period immediately following the expiration of such two hundred forty (240) consecutive day period. Tenant shall not be entitled to the rent abatement and termination rights set forth above if the service interruption is caused by the act of omission of Tenant, its agents, contractors or employees.

(c) Holidays. The following dates shall collectively be known as "Holidays" and individually known as a "Holiday": New Year's Day; Memorial Day; Independence Day; Labor Day; Thanksgiving Day; Friday following Thanksgiving Day; Christmas Day; and any other holiday recognized and taken by tenants occupying at least one-half (1/2) of the rentable area of office space of the Building. If in the case of any Holiday, a different day shall be observed than the respective day above described, then that day which constitutes the day observed by national banks in the city or proximate area in which the Building is located, on account of such Holiday, shall constitute the Holiday under this Lease.

Section 4.2 Keys and Locks. Landlord shall initially furnish Tenant with a reasonable number of keys for the standard corridor doors serving the Premises. Additional keys will be furnished by Landlord upon an order signed by Tenant and at Tenant's expense. Notwithstanding the foregoing, Landlord and Tenant agree to cooperate with each other in the event that Tenant requires the use and installation of a corporate security card system. All such keys shall remain the property of Landlord. Without the prior written consent of Landlord, no additional locks shall be allowed on any door of the Premises, and Tenant shall not make or permit to be made any duplicate keys, except those furnished by Landlord. Upon termination or expiration of this Lease or a termination of possession of the Premises by Tenant, Tenant shall surrender to Landlord all keys to any locks on doors entering or within the Premises.

Section 4.3 Graphics and Building Directory. Landlord shall provide and install, at Tenant's expense, all letters or numerals at the entrance to the Premises, and a strip containing a listing of Tenant's name on the Building directory board to be placed in the main lobby of the Building. All such letters and numerals shall be in Building Standard graphics. Landlord shall not be liable for any inconvenience or damage occurring as a result of any error or omission in any directory or graphics. No signs, numerals, letters or other graphics shall be used or installed by Tenant on the exterior of, or which may be visible from outside, the Premises, unless approved in writing by Landlord.

ARTICLE V

Section 5.1 Occupancy of Premises. Tenant shall throughout the Term of this Lease, at its own expense, maintain the Premises and all improvements thereon and keep them free from waste, damage or nuisance, and shall deliver up the Premises in a clean and sanitary condition at the expiration or termination of this Lease or the termination of Tenant's right to occupy the Premises by Tenant in good repair and condition, reasonable wear and tear excepted. In the event Tenant should neglect to maintain and/or return the Premises in such manner, Landlord shall have the right, but not the obligation, to cause repairs or corrections to be made, and any reasonable costs therefor shall be payable by Tenant to Landlord within ten (10) days of demand therefor by Landlord. Upon the expiration or termination of this Lease or the termination of Tenant's right to occupy the Premises by Tenant, Landlord shall have the right to reenter and resume possession of the Premises. No act or thing done by Landlord or any of Landlord's agents (hereinafter defined) during the Term of the Lease shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender of the Premises shall be valid unless the same be made in writing and executed by Landlord. Tenant shall notify Landlord at least fifteen (15) days prior to vacating the Premises and shall arrange to meet with Landlord for a joint inspection of the Premises. If Tenant fails to give such notice or to arrange for such inspection, then Landlord's inspection of the Premises shall be deemed correct for the purpose of determining Tenant's responsibility for repair and restoration of the Premises.

Section 5.2 Entry for Repairs and Inspection. Tenant shall permit Landlord and its agents to enter the Premises at all reasonable times to inspect the same; to show the Premises to prospective tenants (within nine (9) months of the expiration of the Term of this Lease), or interested parties such as prospective lenders and purchasers; to exercise its rights under this Lease; to clean, repair, alter or improve the Premises or the Building; to discharge Tenant's obligations when Tenant has failed to do so within the time required under this Lease or within a reasonable time after written notice from Landlord, whichever is earlier; to post notices of nonresponsibility and similar notices and "For Sale" signs at any time and to place "For Lease" signs upon or adjacent to the Building or the Premises at any time within nine (9) months of the expiration of the Term of this Lease. Tenant shall permit Landlord and its agents to enter the Premises at any time in the event of an emergency. When reasonably necessary, Landlord may temporarily close entrances, doors, corridors, elevators or other

facilities without liability to Tenant by reason of such closure.

Section 5.3 Hazardous Materials.

(a) As used in this Lease, the term “Hazardous Materials” shall mean and include any substance that is or contains petroleum, asbestos, polychlorinated biphenyls, lead, or any other substance, material or waste which is now or is hereafter classified or considered to be hazardous or toxic under any federal, state or local law, rule, regulation or ordinance relating to pollution or the protection or regulation of human health, natural resources or the environment (collectively “Environmental Laws”) or poses or threatens to pose a hazard to the health or safety of persons on the Premises or any adjacent property.

(b) Tenant agrees that during its use and occupancy of the Premises it will not permit Hazardous Materials to be present on or about the Premises except in a manner and quantity necessary for the ordinary performance of Tenant’s business and that it will comply with all Environmental Laws relating to the use, storage or disposal of any such Hazardous Materials.

(c) If Tenant’s use of Hazardous Materials on or about the Premises results in a release, discharge or disposal of Hazardous Materials on, in, at, under, or emanating from, the Premises or the property in which the Premises are located, Tenant agrees to investigate, clean up, remove or remediate such Hazardous Materials in full compliance with (a) the requirements of (i) all Environmental Laws and (ii) any governmental agency or authority responsible for the enforcement of any Environmental Laws; and (b) any additional requirements of Landlord that are reasonably necessary to protect the value of the Premises or the property in which the Premises are located. Landlord shall also have the right, but not the obligation, to take whatever action with respect to any such Hazardous Materials that it deems reasonably necessary to protect the value of the Premises or the property in which the Premises are located. All costs and expenses paid or incurred by Landlord in the exercise of such right shall be payable by Tenant upon demand.

(d) Upon reasonable notice to Tenant, Landlord may inspect the Premises for the purpose of determining whether there exists on the Premises any Hazardous Materials or other condition or activity that is in violation of the requirements of this Lease or of any Environmental Laws. The right granted to Landlord herein to perform inspections shall not create a duty on Landlord’s part to inspect the Premises, or liability on the part of Landlord for Tenant’s use, storage or disposal of Hazardous Materials, it being understood that Tenant shall be solely responsible for all liability in connection therewith.

(e) Tenant shall surrender the Premises to Landlord upon the expiration or earlier termination of this Lease free of debris, waste or Hazardous Materials placed on or about the Premises by Tenant or its agents, employees, contractors or invitees, and in a condition, which complies with all Environmental Laws.

(f) Tenant agrees to indemnify and hold harmless Landlord from and against any and all claims, losses (including, without limitation, loss in value of the Premises or the property in which the Premises are located), liabilities and expenses (including reasonable attorney’s fees) sustained by Landlord attributable to (i) any Hazardous Materials placed on or about the Premises by Tenant or its agents, employees, contractors or invitees or (ii) Tenant’s breach of any provision of this Section.

(g) The provisions of this Section shall survive the expiration or earlier termination of this Lease but shall terminate three (3) years after any expiration or termination, except with respect to any specific claims, notice of which has been given in writing by either party to the other prior to the expiration of such three (3) year period.

(h) Landlord hereby represents and warrants to Tenant that, to the best of its knowledge without any level or degree of inquiry, diligence or investigation, the Project is free from Hazardous Materials in violation of Environmental Laws, and Landlord has not received written notice of any violation of Environmental Laws pertaining to the Project.

ARTICLE VI

Section 6.1 Leasehold Improvements.

(a) Acceptance of Premises. Tenant has made a complete inspection of the Premises and shall accept the Premises and the Project in their “AS IS,” “WHERE IS,” and “WITH ALL FAULTS” condition on the Commencement Date without recourse to Landlord. Except as expressly provided in this Lease, Landlord shall have no obligation to furnish, equip or improve the Premises or the Project. The taking of possession of the Premises by Tenant shall be conclusive evidence against Tenant that (i) Tenant accepts the Premises and the Project as being suitable for its intended purpose and in a good and satisfactory condition, (ii) acknowledges that the Premises and the Project comply fully with Landlord’s covenants and obligations under this Lease and (iii) waives any defects in the Premises and its appurtenances and in all other parts of the Project.

(b) Improvements and Alterations. Tenant shall not make or allow to be made (except as otherwise provided in this Lease) any improvements, alterations or physical additions (including fixtures) in or to the Premises or the Project, without first obtaining the written consent of Landlord, including Landlord’s written approval of Tenant’s contractor(s) and of the plans, working drawings and specifications relating thereto, which consent shall not be unreasonably withheld, conditioned or delayed, so long as such improvements, alterations or physical additions do not affect the Building’s structure or the mechanical, electrical or plumbing components of the Building. If Landlord does not respond in writing with reasonable specificity to Tenant’s request for approval of plans and specifications within ten (10) business days after submission of

Tenant's plans, Landlord's approval therefor shall be deemed granted. Approval by Landlord of any of Tenant's drawings and plans and specifications prepared in connection with any alterations, improvements, modifications or additions to the Premises or the Project shall not constitute a representation or warranty of Landlord as to the adequacy or sufficiency of such drawings, plans and specifications, or alterations, improvements, modifications or additions to which they relate, for any use, purpose or conditions, but such approval shall merely be the consent of Landlord as required hereunder. Any and all furnishing, equipping and improving of or other alteration and addition to the Premises shall be: (i) made at Tenant's sole cost, risk and expense, and Tenant shall pay for Landlord's actual out-of-pocket third-party costs incurred in connection with and as a result of such alterations or additions; (ii) performed in a prompt good and workmanlike manner with labor and materials of such quality as Landlord may reasonably require; (iii) constructed substantially in accordance with all plans and specifications approved in writing by Landlord prior to the commencement of any such work; (iv) prosecuted diligently and continuously to completion so as to minimize interference with the normal business operations of other tenants in the Building, the performance of Landlord's obligations under this Lease or any mortgage or ground lease covering or affecting all or any part of the Building or the Land and any work being done by contractors engaged by Landlord with respect to or in connection with the Building; and (v) performed by contractors approved in writing by Landlord. Tenant shall have no (and hereby waives all) rights to payment or compensation for any such item. Tenant shall notify Landlord upon completion of such alterations, improvements, modifications or additions and Landlord shall inspect same for workmanship and compliance with the approved plans and specifications. Notwithstanding the foregoing, Tenant shall have the right to make or allow to be made any interior, non-structural, non-MEP (mechanical, electrical, plumbing) alterations (decorative or cosmetic in nature) without the prior consent of Landlord so long as (i) such alterations do not cost in excess of \$10,000.00; (ii) do not require any Building electrical, plumbing or other permit; (iii) Tenant notifies Landlord in writing of its intention to do such work at least ten (10) days prior to the initiation of such work; and (iv) Tenant provides to Landlord a list of the contractors and subcontractors who will require access to the Building. Tenant and its contractors shall comply with all reasonable requirements Landlord may impose on Tenant or its contractors with respect to such work (including but not limited to, insurance, indemnity and bonding requirements), and shall deliver to Landlord a complete copy of the "as-built" or final plans and specifications for all alterations or physical additions so made in or to the Premises within thirty (30) days of completing the work. Tenant shall not place safes, vaults, filing cabinets or systems, libraries or other heavy furniture or equipment within the Premises without Landlord's prior written consent.

(c) Title to Alterations. All alterations, physical additions, modifications or improvements in or to the Premises (including fixtures) shall, when made, become the property of Landlord and shall be surrendered to Landlord upon termination or expiration of this Lease or termination of Tenant's right to occupy the Premises, whether by lapse of time or otherwise, without any payment, reimbursement or compensation therefor; provided, however, that Tenant shall retain title to and shall remove from the Premises movable equipment or furniture owned by Tenant and Tenant repairs any damage caused thereby and Tenant returns the Premises to their preexisting condition. Notwithstanding any of the foregoing to the contrary, Landlord may require Tenant to remove all alterations, additions or improvements to the Premises by written notice to Tenant at the time Landlord approves such alterations, additions or improvements that are other than Building Standard, including, without limitation, any cabling or other computer, satellite or telecommunications equipment or hardware, whether or not such alterations, additions, or improvements are located in the Premises upon the expiration or earlier termination of this Lease or the termination of Tenant's right to possession of the Premises and restore the same to Building Standard condition, reasonable wear and tear excepted. The rights conferred to Landlord under this Section 6.1(c) shall be in addition to (and not in conflict with) any other rights conferred on Landlord by this Lease, in equity or at law.

(d) Personal Property Taxes; Sales, Use and Excise Taxes. Tenant shall be responsible for and shall pay ad valorem taxes and other taxes, assessments or charges levied upon or applicable to Tenant's personal property, the value of Tenant's leasehold improvements in the Premises in excess of Building Standard (and if the taxing authorities do not separately assess Tenant's leasehold improvements, Landlord may make a reasonable allocation of the taxes assessed on the Project to give effect to this Section 6.1(d)) and all license fees and other fees or charges imposed on the business conducted by Tenant on the Premises before such taxes, assessments, charges or fees become delinquent. Tenant shall also pay to Landlord with all Rent due and owing under this Lease an amount equal to any sales, rental, excise and use taxes levied, imposed or assessed by the State or any political subdivision thereof or other taxing authority upon any amounts classified as rent.

Section 6.2 Repairs by Landlord. All repairs, alterations or additions that affect the Project's structural components or major mechanical, electrical or plumbing systems shall be made by Landlord or its contractors only, and, in the case of any damage to such components or systems caused by Tenant or Tenant's agents, shall be paid for by Tenant in an amount equal to Landlord's costs plus ten percent (10%) as an overhead expense. Unless otherwise provided herein, Landlord shall not be required to make any improvements to or repairs of any kind or character to the leasehold improvements located in the Premises during the Term, except such repairs as Landlord deems necessary for normal maintenance operations of the Building.

Section 6.3 Repairs by Tenant. Subject to Section 6.2 of this Lease, Tenant shall be responsible, at its own cost and expense, for all repair or replacement of any damage to the leasehold improvements in the Premises, together with any damage to the Project or any part thereof caused by Tenant or any of Tenant's agents. Except insofar as Landlord is expressly obligated under this Lease to maintain and repair the Building, in addition to the maintenance and repair obligations of Tenant otherwise expressly set forth in this Lease, Tenant is also obligated to perform, at Tenant's own cost and expense and risk, all other maintenance and repairs necessary or appropriate to cause the Premises to be maintained in good condition and suitable for Tenant's intended commercial purpose.

Section 6.4 Liens. Tenant shall keep the Premises and the Building free from any liens, including but not limited to liens filed against the Premises by any governmental agency, authority or organization, arising out of any work performed, materials ordered or obligations incurred by or on behalf of Tenant, and Tenant hereby agrees to indemnify and

hold Landlord, its agents, employees, independent contractors, officers, directors, partners, and shareholders harmless from any liability, cost or expense for such liens. Tenant shall cause any such lien imposed to be released of record by payment or posting of the proper bond within thirty (30) days after the earlier of imposition of the lien or written request by Landlord. Tenant shall give Landlord written notice of Tenant's intention to perform work on the Premises, which might result in any claim of lien, at least ten (10) days prior to the commencement of such work to enable Landlord to post and record a notice of nonresponsibility or other notice deemed proper before commencement of any such work. Tenant's notice of intent to perform work may be given contemporaneously with Tenant's submittal of plans for Landlord's approval. If Tenant fails to remove any lien within the prescribed thirty (30) day period, then Landlord may do so at Tenant's expense and Tenant's reimbursement to Landlord for such amount, including attorneys' fees and costs, shall be deemed Additional Rent. Tenant shall have no power to do any act or make any contract, which may create or be the foundation for any lien, mortgage or other encumbrance upon the reversion or other estate of Landlord, or of any interest of Landlord in the Premises.

Section 6.5 Indemnification. Tenant shall defend, indemnify and hold harmless Landlord, its agents, employees, officers, directors, partners and shareholders ("Landlord's Related Parties") from and against any and all liabilities, judgments, demands, causes of action, claims, losses, damages, costs and expenses, including reasonable attorneys' fees and costs, arising out of the use, occupancy, conduct, operation, or management of the Premises by, or the willful misconduct or negligence of, Tenant, its officers, contractors, licensees, agents, servants, employees, guests, invitees, or visitors in or about the Building or Premises or arising from any breach or default under this Lease by Tenant, or arising from any accident, injury, or damage, howsoever and by whomsoever caused, to any person or property, occurring in or about the Building or Premises. This indemnification shall survive termination or expiration of this Lease. This provision shall not be construed to make Tenant responsible for loss, damage, liability or expense resulting from injuries to third parties caused by the sole negligence or willful misconduct of Landlord, or its officers, contractors, licensees, agents, employees, or invitees.

ARTICLE VII

Section 7.1 Condemnation.

(a) Total Taking. In the event of a taking or damage related to the exercise of the power of eminent domain, by any agency, authority, public utility, person, corporation or entity empowered to condemn property (including without limitation a voluntary conveyance by Landlord in lieu of such taking or condemnation) (individually, a "Taking") of (i) the entire Premises, (ii) so much of the Premises as to prevent or substantially impair its use by Tenant during the Term of this Lease or (iii) portions of the Building or Project required for reasonable access to, or reasonable use of, the Premises (individually, a "Total Taking"), the rights of Tenant under this Lease and the leasehold estate of Tenant in and to the Premises shall cease and terminate as of the date upon which title to the property taken passes to and vests in the condemnor or the effective date of any order for possession if issued prior to the date title vests in the condemnor ("Date of Taking").

(b) Partial Taking. In the event of a Taking of only a part of the Premises or of a part of the Project which does not constitute a Total Taking during the Term of this Lease (individually, a "Partial Taking"), the rights of Tenant under this Lease and the leasehold estate of Tenant in and to the portion of the property taken shall cease and terminate as of the Date of Taking, and an adjustment to the Rent shall be made based upon the reduced area of the Premises; provided, however, in the event a Partial Taking substantially impairs Tenant's ability to conduct its business within the Premises and/or Tenant's parking rights under this Lease, or such Partial Taking occurs during the final twelve (12) months of the Term, Tenant at its option, may terminate this Lease upon prior written notice to Landlord delivered within twenty (20) days after the date of the Partial Taking.

(c) Termination by Landlord. In the event of a Taking of the Building (other than the Premises) such that, in Landlord's reasonable opinion, the Building cannot be restored in a manner that makes its continued operation practically or economically feasible, Landlord may terminate this Lease by giving notice to Tenant within ninety (90) days after the date notice of such Taking is received by Landlord.

(d) Rent Adjustment. If this Lease is terminated pursuant to this Section 7.1, Landlord shall refund to Tenant any prepaid unaccrued Rent and any other sums due and owing to Tenant (less any sums then due and owing Landlord by Tenant), and Tenant shall pay to Landlord any remaining sums due and owing Landlord under this Lease, each prorated as of the Date of Taking where applicable.

(e) Repair. If this Lease is not terminated as provided for in this Section 7.1, then Landlord at its expense shall promptly repair and restore the Building, Project and/or the Premises to approximately the same condition that existed at the time Tenant entered into possession of the Premises, reasonable wear and tear excepted (and Landlord shall have no obligation to repair or restore Tenant's improvements to the Premises or Tenant's Property), except for the part taken, so as to render the Building or Project as complete an architectural unit as practical, but only to the extent of the condemnation award received by Landlord for the damage.

(f) Awards and Damages. Landlord reserves all rights to damages and awards paid because of any Partial or Total Taking of the Premises or the Project. Tenant assigns to Landlord any right Tenant may have to the damages or award. Further, Tenant shall not make claims against Landlord or the condemning authority for damages. Notwithstanding, Tenant may claim and recover from the condemning authority a separate award for Tenant's moving expenses, business dislocation damages, Tenant's Property and any other award that would not reduce the award payable to Landlord.

Section 7.2 Force Majeure. Neither Landlord nor Tenant shall be required to perform any term, provision, agreement, condition or covenant in this Lease (other than the obligations of Tenant to pay Rent as provided herein) so long as such performance is delayed or prevented by "Force Majeure," which shall mean acts of God, strikes, injunctions, lockouts,

material or labor restrictions by any governmental authority, civil riots, floods, fire, theft, public enemy, insurrection, war, court order, requisition or order of governmental body or authority, and any other cause not reasonably within the control of Landlord or Tenant and which by the exercise of due diligence Landlord or Tenant is unable, wholly or in part, to prevent or overcome. Neither Landlord nor any mortgagee shall be liable or responsible to Tenant for any loss or damage to any property or person occasioned by any Force Majeure, or for any damage or inconvenience which may arise through repair or alteration of any part of the Project as a result of any Force Majeure.

Section 7.3 Fire or Other Casualty Damage. If any portion of the Premises shall be destroyed or damaged by fire or any other casualty, Tenant shall immediately give notice thereof to Landlord. If any portion of the Premises or Project shall be destroyed or damaged by fire or any other casualty then, at the option of Landlord, Landlord may restore and repair the portion of the Premises or Project damaged and, if the Premises are rendered untenantable in whole or in part by reason of such casualty as determined by Landlord in its commercially reasonable judgment, Tenant shall be entitled to an equitable abatement of the Rent hereunder (subject to the limitation in Section 7.3(b) below) until such time as the damaged portion of the Premises (exclusive of any of Tenant's Property or Tenant's improvements) are repaired or restored by Landlord to the extent required hereby or Landlord may terminate this Lease whereupon all Rent accrued up to the time of such damage or destruction and any other sums due and owing shall be paid by Tenant to Landlord (less any sums then due and owing Tenant by Landlord) and any remaining sums due and owing by Landlord to Tenant shall be paid to Tenant. In no event shall Landlord have any obligation to repair or restore any such destruction or damage.

(a) **Repair.** Landlord shall give Tenant written notice of its decisions, estimates or elections under this Section 7.3 within thirty (30) days after Landlord receives a determination from its insurer of the insurance proceeds payable in connection with such damage or destruction; provided that if Landlord is unable to provide such notice to Tenant within sixty (60) days of the date of such damage or destruction for any reason, Landlord will keep Tenant apprised of the status of its evaluation of its options hereunder. If Landlord has elected to repair and restore the Premises or other portion of the Project, this Lease shall continue in full force and effect, and the repairs will be made within a reasonable time thereafter (not to exceed one (1) year), subject to the provisions of Section 7.2 of this Lease. Should the repairs not be completed within that period, Tenant shall have the option of terminating this Lease by written letter of termination. If this Lease is terminated as herein permitted, Landlord shall refund to Tenant any prepaid Rent (unaccrued as of the date of damage or destruction) and any other sums due and owing by Landlord to Tenant (less any sums then due and owing Landlord by Tenant) and any remaining sums due and owing by Tenant to Landlord shall be paid to Landlord. If Landlord has elected to repair and reconstruct the Premises or other portion of the Project to the extent stated above, the Term will be extended for a time equal to the period from the occurrence of such damage to the completion of such repair and reconstruction. If Landlord elects to rebuild the Premises or other portion of the Project, Landlord shall be obligated to restore, or rebuild the Premises or other portion of the Project to substantially the same condition as existed at the time Tenant entered into possession of the Premises (except for any work paid for by Tenant), reasonable wear and tear excepted, and not be required to rebuild, repair or replace any part of Tenant's Property or Tenant's leasehold improvements. Notwithstanding anything contained in this Lease to the contrary, if Landlord shall elect to repair and restore the Premises or other portion of the Project pursuant to this Section 7.3, in no event shall Landlord be required to expend under this Article VII any amount in excess of the proceeds actually received from the insurance carried by Landlord pursuant to Section 7.4(a) of this Lease. Landlord shall not be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting in any way from such damage or destruction or the disregard of the repair thereof. Upon completion of Landlord's repairs to and restoration of the Premises, Tenant shall resume the payment to Landlord of all Rent due and payable under this Lease.

(b) **Termination Rights of Tenant.** Notwithstanding the foregoing, in the event that (i) during the final twelve (12) months of the Term, the Premises are so damaged by fire or other casualty or the Building is so damaged by such causes such that Tenant's use of the Premises is materially impaired or (ii) if within two hundred forty (240) days after the date of the casualty (A) such damage cannot be repaired as reasonably determined by Landlord's architect, or (B) if repairs are not commenced by Landlord, or (C) if undertaken by Landlord and not repaired within such period, then Tenant may terminate this Lease upon prior written notice to Landlord delivered within twenty (20) days after the expiration of such 240-day period.

(c) **Negligence of Tenant.** Notwithstanding the provisions of Section 7.3(a) of this Lease, if the Premises, the Project or any portion thereof, are damaged by fire or other casualty resulting from the fault or negligence, based on the determination of the fire marshal and insurer of the Building, of Tenant or any of Tenant's agents, the Rent under this Lease will not be abated during the repair of that damage, and Tenant will be liable to Landlord for the cost and expense of the repair and restoration of the Premises, the Project or any part thereof, caused thereby to the extent that cost and expense is not covered by insurance proceeds (including without limitation the amount of any insurance deductible).

Section 7.4 Insurance.

(a) Landlord shall maintain, or cause to be maintained, standard fire and extended coverage insurance on the Buildings and Building Standard tenant improvements (excluding leasehold improvements by Tenant in excess of Building Standard and Tenant's Property) on a full replacement above foundation cost basis. The insurance required to be obtained by Landlord may be obtained by Landlord through blanket or master policies insuring other entities or properties owned or controlled by Landlord.

(b) Tenant shall, at its sole cost and expense, procure and maintain during the Term of this Lease all such policies of insurance as Landlord may reasonably require, including without limitation commercial general liability insurance (including personal injury liability, premises/operation, property damage, independent contractors and broad form contractual coverage in support of the indemnifications of Landlord by Tenant under this Lease) in amounts of not less than a combined single limit of \$1,000,000; comprehensive automobile liability insurance; business interruption insurance; contractual liability insurance; property insurance with respect to Tenant's Property, and all leasehold improvements, alterations and

additions in excess of Building Standard, to be written on an "all risk" basis for full replacement cost; worker's compensation and employer's liability insurance; and comprehensive catastrophe liability insurance; all maintained with companies, on forms and in such amounts as Landlord may, from time to time, reasonably require and endorsed to include Landlord as an additional insured, with the premiums fully paid on or before the due dates. The insurer must be licensed to do business in the state in which the Building is located. Tenant, and not Landlord, will be liable for any costs or damages in excess of the statutory limit for which Tenant would, in the absence of worker's compensation, be liable. In the event that Tenant fails to take out or maintain any policy required by this Section 7.4 to be maintained by Tenant, such failure shall be a defense to any claim asserted by Tenant against Landlord by reason of any loss sustained by Tenant that would have been covered by such policy, notwithstanding that such loss may have been proximately caused solely or partially by the negligence or willful misconduct of Landlord or any of Landlord's Related Parties. If Tenant does not procure insurance as required, Landlord may, upon advance written notice to Tenant, cause this insurance to be issued and Tenant shall pay to Landlord the premium for such insurance within ten (10) days of Landlord's demand, plus interest at the past due rate provided for in Section 3.1(c) of this Lease until repaid by Tenant. All policies of insurance required to be maintained by Tenant shall specifically make reference to the indemnifications by Tenant in favor of Landlord under this Lease and shall provide that Landlord shall be given at least thirty (30) days prior written notice of any cancellation or nonrenewal of any such policy. A certificate evidencing each such policy shall be deposited with Landlord by Tenant on or before the Commencement Date, and a replacement certificate evidencing each subsequent policy shall be deposited with Landlord at least ten (10) days prior to the expiration of the preceding such policy. All insurance policies obtained by Tenant shall be written as primary policies (primary over any insurance carried by Landlord), not contributing with and not in excess of coverage, which Landlord may carry, if any. The insurance required by this Lease, at the option of Tenant may be effected by blanket and/or umbrella policies issued to Tenant covering the Premises and other properties owned or leased by Tenant, provided that the policies otherwise comply with the provisions of this Lease and allocate to the Premises the specified coverage, without possibility of reduction or coinsurance by reason of, or damage to, any other premises named therein.

Section 7.5 Waiver of Subrogation Rights. Each party hereto waives all rights of recovery, claims, actions or causes of actions arising in any manner in its (the "Injured Party's") favor and against the other party for loss or damage to the Injured Party's property located within or constituting a part or all of the Project, to the extent the loss or damage: (a) is covered by the Injured Party's insurance; or (b) would have been covered by the insurance the Injured Party is required to carry under this Lease, whichever is greater, regardless of the cause or origin, including the sole, contributory, partial, joint, comparative or concurrent negligence of the other party. This waiver also applies to each party's directors, officers, employees, shareholders, partners, representatives and agents. All insurance carried by either Landlord or Tenant covering the losses and damages described in this Section 7.5 shall provide for such waiver of rights of subrogation by the Injured Party's insurance carrier to the maximum extent that the same is permitted under the laws and regulations governing the writing of insurance within the state in which the Building is located. Both parties hereto are obligated to obtain such a waiver and provide evidence to the other party of such waiver. The waiver set forth in this Section 7.5 shall be in addition to, and not in substitution for, any other waivers, indemnities or exclusions of liability set forth in this Lease.

ARTICLE VIII

Section 8.1 Default by Tenant. The occurrence of any one or more of the following events shall constitute a default by Tenant under this Lease:

- (a) Tenant shall fail to pay to Landlord any Rent or any other monetary charge due from tenant hereunder on or before ten (10) days after written notice thereof from Landlord to Tenant provided that Landlord shall not be required to provide such notice more than twice during any twelve month period with respect to nonpayment of Rent, the third such nonpayment constituting a default without the requirement of notice;
 - (b) Tenant breaches or fails to comply with any term, provision, condition or covenant of this Lease, other than as described in Section 8.1(a), or with any of the Building rules and regulations now or hereafter established to govern the operation of the Project;
 - (c) A Transfer (hereinafter defined) shall occur, without the prior written approval of Landlord;
 - (d) The interest of Tenant under this Lease shall be levied on under execution or other legal process;
 - (e) Any petition in bankruptcy or other insolvency proceedings shall be filed by or against Tenant, or any petition shall be filed or other action taken to declare Tenant a bankrupt or to delay, reduce or modify Tenant's debts or obligations or to reorganize or modify Tenant's capital structure or indebtedness or to appoint a trustee, receiver or liquidator of Tenant or of any property of Tenant, or any proceeding or other action shall be commenced or taken by any governmental authority for the dissolution or liquidation of Tenant and, within thirty (30) days hereafter, Tenant fails to secure a discharge thereof;
 - (f) Tenant shall become insolvent, or Tenant shall make an assignment for the benefit of creditors, or Tenant shall make a transfer in fraud of creditors, or a receiver or trustee shall be appointed for Tenant or any of its properties;
 - (g) Tenant shall abandon (as defined by applicable state law) the Premises or any substantial portion thereof; or
 - (h) Tenant shall do or permit to be done anything which creates a lien upon the Premises or the Project, which is not released or secured as provided in Section 6.4.
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Section 8.2 Landlord's Remedies. Upon occurrence of any default by Tenant under this Lease and (i) if the event of default described in Section 8.1(a) is not cured within ten (10) days after written notice from Landlord of such default (provided, however, Landlord shall not be obligated to notify Tenant more than twice in any 12-month period; thereafter, Tenant shall immediately be in default upon Tenant's failure to pay Rent as and when due); or (ii) the events described in Sections 8.1(b), (d), (f) and (g) are not cured within thirty (30) days after written notice from Landlord of such default (there being no notice and cure period for events of defaults described in Sections 8.1(c), (e), (g) and (h) except as otherwise set forth herein), the Landlord shall have the option to do and perform any one or more of the following in addition to, and not in limitation of, any other remedy or right permitted it by law or in equity or by this Lease:

(a) Continue this Lease in full force and effect, and this Lease shall continue in full force and effect as long as Landlord does not terminate this Lease, and Landlord shall have the right to collect Rent, Additional Rent and other charges when due.

(b) Terminate this Lease, and Landlord may forthwith repossess the Premises and be entitled to recover as damages a sum of money equal to the total of (i) the cost of recovering the Premises, (ii) the cost of removing and storing Tenant's or any other occupant's property, (iii) the unpaid Rent and any other sums accrued hereunder at the date of termination, (iv) a sum equal to the amount, if any, by which the present value of the total Rent and other benefits which would have accrued to Landlord under this Lease for the remainder of the Term, if the terms of this Lease had been fully complied with by Tenant, discounted at eight percent (8%) per annum exceeds the total fair market value of the Premises for the balance of the Term (it being the agreement of the parties hereto that Landlord shall receive the benefit of its bargain), (v) the cost of reletting the Premises including, without limitation, the cost of restoring the Premises to the condition necessary to rent the Premises at the prevailing market rental rate, normal wear and tear excepted, (vi) any increase in insurance premiums caused by the vacancy of the Premises, (vii) the amount of any unamortized improvements to the Premises paid for by Landlord, (viii) the cost of any increase in insurance premiums caused by the termination of possession of the Premises, (ix) the amount of any unamortized brokerage commission or other costs paid by Landlord in connection with the leasing of the Premises and (ix) any other sum of money or damages owed by Tenant to Landlord. In the event Landlord shall elect to terminate this Lease, Landlord shall at once have all the rights of reentry upon the Premises, without becoming liable for damages, or guilty of trespass.

(c) Terminate Tenant's right of occupancy of the Premises and reenter and repossess the Premises by entry, forcible entry or detainer suit or otherwise, without demand or notice of any kind to Tenant and without terminating this Lease, without acceptance of surrender of possession of the Premises, and without becoming liable for damages or guilty of trespass, in which event Landlord may, but shall be under no obligation to, relet the Premises or any part thereof for the account of Tenant (nor shall Landlord be under any obligation to relet the Premises before Landlord relets or leases any other portion of the Project or any other property under the ownership or control of Landlord) for a period equal to or lesser or greater than the remainder of the Term of the Lease on whatever terms and conditions Landlord, at Landlord's sole discretion, deems advisable. Tenant shall be liable for and shall pay to Landlord all Rent payable by Tenant under this Lease (plus interest at the past due rate provided in Section 3.1(c) of this Lease if in arrears) plus an amount equal to (i) the cost of recovering possession of the Premises, (ii) the cost of removing and storing any of Tenant's or any other occupant's property left on the Premises or the Project after reentry, (iii) the cost of decorations, repairs, changes, alterations and additions to the Premises and the Project, (iv) the cost of any attempted reletting or reletting and the collection of the rent accruing from such reletting, (v) the cost of any brokerage fees or commissions payable by Landlord in connection with any reletting or attempted reletting, (vi) any other costs incurred by Landlord in connection with any such reletting or attempted reletting, (vii) the cost of any increase in insurance premiums caused by the termination of possession of the Premises, (viii) the amount of any unamortized improvements to the Premises paid for by Landlord, (ix) the amount of any unamortized brokerage commissions or other costs paid by Landlord in connection with the leasing of the Premises and (x) any other sum of money or damages owed by Tenant to Landlord at law, in equity or hereunder, all reduced by any sums received by Landlord through any reletting of the Premises; provided, however, that in no event shall Tenant be entitled to any excess of any sums obtained by reletting over and above Rent provided in this Lease to be paid by Tenant to Landlord. For the purpose of such reletting Landlord is authorized to decorate or to make any repairs, changes, alterations or additions in or to the Premises that may be reasonably necessary. Landlord may file suit to recover any sums falling due under the terms of this Section 8.2(c) from time to time, and no delivery to or recovery by Landlord of any portion due Landlord hereunder shall be any defense in any action to recover any amount not theretofore reduced to judgment in favor of Landlord. No reletting shall be construed as an election on the part of Landlord to terminate this Lease unless a written notice of such intention is given to Tenant by Landlord. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect to terminate this Lease for such previous default and/or exercise its rights under Section 8.3(b) of this Lease.

(d) Enter upon the Premises and do whatever Tenant is obligated to do under the terms on this Lease; and Tenant agrees to reimburse Landlord within ten (10) days of Landlord's demand for any reasonable expenses which Landlord may incur in effecting compliance with Tenant's obligations under this Lease plus ten percent (10%) of such cost to cover overhead plus interest at the past due rate provided in this Lease, and Tenant further agrees that Landlord shall not be liable for any damages resulting to Tenant from such action. No action taken by Landlord under this Section 8.2(d) shall relieve Tenant from any of its obligations under this Lease or from any consequences or liabilities arising from the failure to perform such obligations.

(e) Without waiving such default, apply all or any part of the Security Deposit and/or Prepaid Rent, if any, to cure the default or to any damages suffered as a result of the default to the extent of the amount of damages suffered. Tenant shall reimburse Landlord for the amount of such depletion of the Security Deposit and/or any Prepaid Rent on demand.

(f) Change all door locks and other security devices of Tenant at the Premises and/or the Project, and Landlord shall not be required to provide the new key to the Tenant except during Tenant's regular business hours, and only upon the

condition that Tenant has cured any and all defaults hereunder and in the case where Tenant owes Rent to the Landlord, reimbursed Landlord for all Rent and other sums due Landlord hereunder. Landlord, on terms and conditions satisfactory to Landlord in its sole discretion, may upon request from Tenant's employees, enter the Premises for the purpose of retrieving therefrom personal property of such employees, provided, Landlord shall have no obligation to do so.

(g) Exercise any and all other remedies available to Landlord in this Lease, at law or in equity.

Section 8.3 Duty to Relet or Mitigate. Notwithstanding anything contained herein to the contrary, Tenant and Landlord agree that Landlord shall use commercially reasonable efforts to relet the Premises or otherwise mitigate damages under this Lease. However, Tenant agrees that Landlord shall not be liable, nor shall Tenant's obligations hereunder be diminished, because of Landlord's failure to relet the Premises after using commercially reasonable efforts, or Landlord's failure to collect rent due with respect to such reletting. Landlord and Tenant agree that any such duty to mitigate shall be satisfied and Landlord shall be deemed to have used commercially reasonable efforts to fill the Premises by doing the following: (a) posting a "For Lease" sign on the Premises; (b) advising Landlord's leasing agent of the availability of the Premises; and (c) advising at least one outside commercial brokerage entity of the availability of the Premises; provided, however, that Landlord shall not be obligated to relet the Premises before leasing any other unoccupied portions of the Project and any other property under the ownership or control of Landlord, if Landlord receives any payments from the reletting of the Premises, any such payment shall first be applied to any costs or expenses incurred by Landlord as a result of Tenant's Default under this Lease.

Section 8.4 Reentry. If Tenant fails to allow Landlord to reenter and repossess the Premises, Landlord shall have full and free license to enter into and upon the Premises with process of law for the purpose of repossessing the Premises, expelling or removing Tenant and any others who may be occupying or otherwise within the Premises, removing any and all property therefrom and changing all door locks of the Premises. Landlord may take these actions without being deemed in any manner guilty of trespass, eviction or forcible entry or detainer, without accepting surrender of possession of the Premises by Tenant, and without incurring any liability for any damage resulting therefrom, including without limitation any liability arising under applicable state law and without relinquishing Landlord's right to Rent or any other right given to Landlord hereunder or by operation of law or in equity, Tenant hereby waiving any right to claim damage for such reentry and expulsion, including without limitation any rights granted to Tenant by applicable state law, unless such damage is due to the gross negligence or willful misconduct of Landlord.

Section 8.5 Rights of Landlord in Bankruptcy. Nothing contained in this Lease shall limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency, by reason of the expiration or termination of this Lease or the termination of Tenant's right of occupancy, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater, equal to, or less than the amount of the loss or damages referred to in this Section 8.5. In the event that under applicable law, the trustee in bankruptcy or Tenant has the right to affirm this Lease and continue to perform the obligations of Tenant hereunder, such trustee or Tenant shall, in such time period as may be permitted by the bankruptcy court having jurisdiction, cure all defaults of Tenant hereunder outstanding as of the date of the affirmance of this Lease and provide to Landlord such adequate assurances as may be necessary to ensure Landlord of the continued performance of Tenant's obligations under this Lease.

Section 8.6 Waiver of Certain Rights. Tenant hereby expressly waives any and all rights Tenant may have under applicable state law to its right to redeem the Premises or otherwise recover possession of the Premises after a termination of this Lease or Tenant's right of possession hereunder pursuant to Section 8.2 herein.

Section 8.7 NonWaiver. Failure on the part of Landlord to complain of any action or nonaction on the part of Tenant, no matter how long the same may continue, shall not be deemed to be a waiver by Landlord of any of its rights under this Lease. Further, it is covenanted and agreed that no waiver at any time of any of the provisions hereof by Landlord shall be construed as a waiver of any of the other provisions hereof and that a waiver at any time of any of the provisions hereof shall not be construed as a waiver at any subsequent time of the same provisions. The consent or approval by Landlord to or of any action by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent or approval to or of any subsequent similar act by Tenant.

Section 8.8 Holding Over. In the event Tenant remains in possession of the Premises after the expiration or termination of this Lease without the execution of a new lease, then Tenant, at Landlord's option, shall be deemed to be occupying the Premises as a tenant at will at a base rental equal to one hundred fifty percent (150%) of the then applicable Base Rent, and shall otherwise remain subject to all the conditions, provisions and obligations of this Lease insofar as the same are applicable to a tenancy at will, including without limitation the payment of all other Rent; provided, however, nothing contained herein shall require Landlord to give Tenant more than thirty (30) days prior written consent to terminate Tenant's tenancy-at-will. No holding over by Tenant after the expiration or termination of this Lease shall be construed to extend or renew the Term or in any other manner be construed as permission by Landlord to hold over. Tenant shall not be liable hereunder for any indirect, special, consequential or punitive damages.

Section 8.9 Abandonment of Personal Property. Any personal property left in the Premises or any personal property of Tenant left about the Project at the expiration or termination of this Lease, the termination of Tenant's right to occupy the Premises or the abandonment, desertion or vacating of the Premises by Tenant, shall be deemed abandoned by Tenant and may, at the option of Landlord, be immediately removed from the Premises or such other space by Landlord and stored by Landlord at the full risk, cost and expense of Tenant. Landlord shall in no event be responsible for the value, preservation or safekeeping thereof. In the event Tenant does not reclaim any such personal property and pay all costs for any storage and moving thereof within thirty (30) days after the expiration or termination of this Lease, the termination of

Tenant's right to occupy the Premises or the abandonment, desertion or vacating of the Premises by Tenant, Landlord may dispose of such personal property in any way that it deems proper. If Landlord shall sell any such personal property, it shall be entitled to retain from the proceeds the amount of any Rent or other expenses due Landlord, together with the cost of storage and moving and the expense of the sale. Notwithstanding anything contained herein to the contrary, in addition to the rights provided herein with respect to any such property, Landlord shall have the option of exercising any of its other rights or remedies provided in the Lease or exercising any rights or remedies available to Landlord at law or in equity.

ARTICLE IX

Section 9.1 Transfers. Tenant shall not, by operation of law or otherwise, (a) assign, transfer, mortgage, pledge, hypothecate or otherwise encumber this Lease, the Premises or any part of or interest in this Lease or the Premises, (b) grant any concession or license within the Premises, (c) sublet all or any part of the Premises or any right or privilege appurtenant to the Premises, or (d) permit any other party to occupy or use all or any part of the Premises (collectively, a "Transfer"), without the prior written consent of Landlord, which consent shall not be unreasonably withheld, conditioned or delayed. This prohibition against a Transfer includes, without limitation, (i) any subletting or assignment which would otherwise occur by operation of law, merger, consolidation, reorganization, transfer or other change of Tenant's corporate or proprietary structure; (ii) an assignment or subletting to or by a receiver or trustee in any federal or state bankruptcy, insolvency, or other proceedings; (iii) the sale, assignment or transfer of all or substantially all of the assets of Tenant with or without specific assignment of Lease; or (iv) the change in control in a partnership. If Tenant requests Landlord's consent to any Transfer, then Tenant shall provide Landlord with a written description of all terms and conditions of the proposed Transfer, copies of the proposed documentation, and the following information about the proposed transferee: name and address; reasonably satisfactory information about its business and business history; its proposed use of the Premises; a copy of the proposed sublease or assignment agreement; banking, financial and other credit information; and general references sufficient to enable Landlord to determine the proposed transferee's creditworthiness and character. Landlord's consent to a Transfer shall not release Tenant from performing its obligations under this Lease, but rather Tenant's transferee shall assume all of Tenant's obligations under this Lease in a writing satisfactory to Landlord, and Tenant and its transferee shall be jointly and severally liable therefor. Landlord's consent to any Transfer shall not waive Landlord's rights as to any subsequent Transfer. While the Premises or any part thereof are subject to a Transfer and if Tenant is in default beyond the expiration of any applicable notice and cure periods hereunder, Landlord may collect directly from such transferee all rents or other sums relating to the Premises becoming due to Tenant or Landlord and apply such rents and other sums against the Rent and any other sums payable hereunder. If the aggregate rental, bonus or other consideration paid by a transferee for any such space exceeds the sum of (y) Tenant's Rent to be paid to Landlord for such space during such period and (z) Tenant's costs and expenses actually incurred in connection with such Transfer, including reasonable brokerage fees, reasonable costs of finishing or renovating the space affected and reasonable cash rental concessions, which costs and expenses are to be amortized over the term of the Transfer, then fifty percent (50%) of such excess shall be paid to Landlord within fifteen (15) days after such amount is earned by Tenant. Such arrearage amounts in the case of a sublease shall be calculated and adjusted (if necessary) on a Lease Year (or partial Lease Year) basis, and there shall be no cumulative adjustment for the Term. Landlord shall have the right to audit Tenant's books and records relating to the Transfer. In the event that Tenant is in default beyond the expiration of any applicable notice and cure periods, Tenant authorizes its transferees to make payments of rent and any other sums due and payable, directly to Landlord upon receipt of notice from Landlord to do so. Any attempted Transfer by Tenant in violation of the terms and covenants of this Article IX shall be void. In the event that Tenant requests that Landlord consider a sublease or assignment hereunder, Tenant shall pay (i) Landlord's reasonable and documented expenses, not to exceed Five Hundred and 00/100 Dollars (\$500.00) per transaction, actually incurred in connection with the consideration of such request, and (ii) all reasonable attorneys' fees and costs incurred by Landlord in connection with the consideration of such request or such sublease or assignment.

Notwithstanding any provision to the contrary, Tenant may assign this Lease or sublet the Premises without Landlord's consent (i) to any corporation or other entity that controls, is controlled by or is under common control with Tenant; (ii) to any corporation or other entity resulting from a merger, acquisition, consolidation or reorganization of or with Tenant; (iii) in connection with the sale of all or substantially all of the assets of Tenant (a "Permitted Transferee"), so long as Tenant provides evidence to Landlord in writing that such assignment or sublease complies with the criteria set forth in (i), (ii) or (iii) above and provided the following conditions are met: (1) if Tenant does not remain in existence as a separate legal entity following the transfer, the net worth of the transferee is equal to or greater than \$50,000,000.00, (2) if Tenant remains in existence as a separate legal entity following the transfer, it shall not be released from liability under this Lease, (3) the transferee shall assume in a writing delivered to Landlord all of Tenant's obligations under the Lease effective upon the consummation of the transfer, and (4) Tenant shall give written notice to Landlord of the proposed transfer at least fifteen (15) days in advance of the consummation thereof.

Section 9.2 Assignment by Landlord. Landlord shall have the right at any time to sell, transfer or assign, in whole or in part, by operation of law or otherwise, its rights, benefits, privileges, duties, obligations or interests in this Lease or in the Premises, the Building, the Land, the Project and all other property referred to herein, without the prior consent of Tenant, and such sale, transfer or assignment shall be binding on Tenant. After such sale, transfer or assignment, Tenant shall attorn to such purchaser, transferee or assignee, and Landlord shall be released from all liability and obligations under this Lease accruing after the effective date of such sale, transfer or assignment.

Section 9.3 Limitation of Landlord's Liability. Any provisions of this Lease to the contrary notwithstanding, Tenant hereby agrees that no personal, partnership or corporate liability of any kind or character (including, without limitation, the payment of any judgment) whatsoever now attaches or at any time hereafter under any condition shall attach to Landlord or any of Landlord's Related Parties or any mortgagee for payment of any amounts payable under this Lease or for the performance of any obligation under this Lease. The exclusive remedies of Tenant for the failure of Landlord to perform any of its obligations under this Lease shall be to proceed against the interest of Landlord in and to the Project. The

provision contained in the foregoing sentence is not intended to, and shall not, limit any right that Tenant might otherwise have to obtain injunctive relief against Landlord or Landlord's successors in interest or any suit or action in connection with enforcement or collection of amounts which may become owing or payable under or on account of insurance maintained by Landlord. In no event shall Landlord be liable to Tenant, or any interest of Landlord in the Project be subject to execution by Tenant, for any indirect, special, consequential or punitive damages.

ARTICLE X.

Section 10.1 Subordination. This Lease shall be subject and subordinated at all times to (a) all ground or underlying leases now existing or which may hereinafter be executed affecting the Project, and (b) the lien or liens of all mortgages and deeds of trust in any amount or amounts whatsoever now or hereafter placed on the Project or Landlord's interest or estate therein or on or against such ground or underlying leases and to all renewals, modifications, consolidations, replacements and extensions thereof and to each advance made or hereafter to be made thereunder; provided, however, that this Lease shall not be subordinate to any ground lease or mortgage entered into after the Effective Date of this Lease unless and until Landlord provides to Tenant a subordination, non-disturbance and attornment agreement ("SNDA") in favor of Tenant, which SNDA shall be reasonably acceptable to Tenant. Tenant shall execute and deliver upon demand any instruments, releases or other documents requested by any lessor or mortgagee for the purpose of subjecting and subordinating this Lease to such ground leases, mortgages or deeds of trust, provided Tenant receives an SNDA. Tenant shall attorn to any party succeeding to Landlord's interest in the Premises, whether by purchase, foreclosure, deed in lieu of foreclosure, power of sale, termination of lease or otherwise, only upon such party's request and at such party's sole discretion but not otherwise. Notwithstanding such attornment, Tenant agrees that any such successor in interest shall not be (a) liable for any act or omission of, or subject to any rights of setoff, claims of defenses otherwise assertable by Tenant against any prior owner of the Project (including without limitation, Landlord), (b) bound by any rents paid more than one (1) month in advance to any prior owner, (c) liable for any Security Deposit not paid over to such successor by Landlord, and (d) if such successor is a mortgagee whose address has been previously given to Tenant, bound by any material modification, material amendment, extension or cancellation of the Lease not consented to in writing by such mortgagee, such consent not to be unreasonably withheld, conditioned or delayed. Tenant shall execute all such agreements confirming such attornment as such party may reasonably request. Tenant shall not seek to enforce any remedy it may have for any default on the part of Landlord without first giving written notice by certified mail, return receipt requested, specifying the default in reasonable detail, to any mortgagee or lessor under a lien instrument or lease covering the premises whose address has been given to Tenant, and affording such mortgagee or lessor a reasonable opportunity to perform Landlord's obligations hereunder. Notwithstanding the generality of the foregoing, any mortgagee or ground lessor may at any time subordinate any such deeds of trust, mortgages, other security instruments or ground leases to this Lease on such terms and conditions as such mortgagee or ground lessor may deem appropriate.

Section 10.2 Estoppel Certificate or Three-Party Agreement. Tenant agrees within ten (10) days following request by Landlord, to execute, acknowledge and deliver to Landlord, certifying (i) that this Lease is unmodified and in full force and effect, or, if modified, stating the nature of such modification (ii) the date to which the Rent and other charges are paid in advance, if any, (iii) whether there are, to Tenant's knowledge, any uncured defaults on the part of Landlord hereunder, or so specifying such defaults, if any, as are claimed.

Section 10.3 Notices. Any notice, request, approval, consent or other communication required or contemplated by this Lease must be in writing, unless otherwise in this Lease expressly provided, and may be given or be served by depositing the same in the United States Postal Service, postpaid and certified and addressed to the party to be notified, with return receipt requested, or by delivering the same in person to such party (or, in case of a corporate party, to an officer of such party), or by prepaid telegram or express overnight mail service, when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be effective from and after three (3) days (exclusive of Saturdays, Sundays and postal holidays) after such deposit. Notice given in any other manner shall be effective only if and when delivered to the party to be notified or at such party's address for purposes of notice as set forth herein. For purposes of notice the addresses of the parties shall, until changed as herein provided, be as provided on the first page of this Lease; provided, that any notices sent to Landlord will only be effective if copies thereof are simultaneously sent to Paragon Centre Holdings, LLC, 6060 Dutchmans Lane, Suite 100, Louisville, Kentucky 40205, Attention: Mr. David Nicklies; and provided, that any notices sent to Tenant will only be effective if copies thereof are simultaneously sent to the attention of Tenant at 6040 Dutchmans Lane, Louisville, Kentucky 40205, Attention: Legal Department. The parties hereto shall have the right from time to time to change their respective addresses by giving at least fifteen (15) days' written notice to the other party in the manner set forth in this Section 10.3.

ARTICLE XI

Section 11.1 Right to Relocate Tenant. [Intentionally Omitted]

Section 11.2 Rights and Remedies Cumulative. The rights and remedies of Landlord under this Lease shall be nonexclusive and each right or remedy shall be in addition to and cumulative of all other rights and remedies available to Landlord under this Lease or at law or in equity. Pursuit of any right or remedy shall not preclude pursuit of any other rights or remedies provided in this Lease or at law or in equity, nor shall pursuit of any right or remedy constitute a forfeiture or waiver of any Rent due to Landlord or of any damages accruing to Landlord by reason of the violation of any of the terms of this Lease.

Section 11.3 Legal Interpretation. This Lease and the rights and obligations of the parties hereto shall be interpreted, construed and enforced in accordance with the laws of the state in which the Building is located and the United

States. The determination that one or more provisions of this Lease is invalid, void, illegal or unenforceable shall not affect or invalidate any other provision of this Lease, and this Lease shall be construed as if such invalid, illegal or unenforceable provision had never been contained in this Lease, and, so far as is reasonable and possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. All obligations of either party hereunder not fully performed as of the expiration or termination of the Term of this Lease shall survive the expiration or termination of the Term of this Lease and shall be fully enforceable in accordance with those provisions pertaining thereto. Article and section titles and captions appearing in this Lease are for convenient reference only and shall not be used to interpret or limit the meaning of any provision of this Lease. No custom or practice which may evolve between the parties in the administration of the terms of this Lease shall waive or diminish the right of Landlord to insist upon the performance by Tenant in strict accordance with the terms of this Lease. This Lease is for the sole benefit of Landlord and Tenant, and, without the express written consent thereto, no third party shall be deemed a third party beneficiary hereof. Tenant agrees that this Lease supersedes and cancels any and all previous statements, negotiations, arrangements, brochures, agreements and understandings, if any, between Landlord and Tenant with respect to the subject matter of this Lease or the Premises and that this Lease, including written extrinsic documents referred to herein, is the entire agreement of the parties, and that there are no representations, understandings, stipulations, agreements, warranties or promises (express or implied, oral or written) between Landlord and Tenant with respect to the subject matter of this Lease or the Premises. It is likewise agreed that this Lease may not be altered, amended, changed or extended except by an instrument in writing signed by both Landlord and Tenant. The terms and provisions of this Lease shall not be construed against or in favor of a party hereto merely because such party is the "Landlord" or the "Tenant" hereunder or because such party or its counsel is the draftsman of this Lease. All references to days in this Lease and any Exhibits or Addenda hereto mean calendar days, not working or business days, unless otherwise stated.

Section 11.4 Tenant's Authority. Both Tenant and the person executing this Lease on behalf of Tenant warrant and represent unto Landlord that (a) Tenant is a duly organized and validly existing legal entity, in good standing and qualified to do business in the state in which the Building is located, with no proceedings pending or contemplated for its dissolution or reorganization, voluntary or involuntary, (b) Tenant has full right, power and authority to execute, deliver and perform this Lease, (c) the person executing this Lease on behalf of Tenant is authorized to do so, (d) upon execution of this Lease by Tenant, this Lease shall constitute a valid and legally binding obligation of Tenant, and (e) upon request of Landlord, such person will deliver to Landlord satisfactory evidence of the matters set forth in this Section.

Section 11.5 No Brokers. Landlord and Tenant warrant and represent to the other that it has not dealt with any real estate broker and/or salesman in connection with the negotiation or execution of this Lease and no such broker or salesman has been involved in connection with this Lease, and each party agrees to defend, indemnify and hold harmless the other party from and against any and all costs, expenses, attorneys' fees or liability for any compensation, commission and charges claimed by any real estate broker and/or salesman (other than the aforesaid brokers) due to acts of such party or such party's representatives.

Section 11.6 Consents by Landlord. In all circumstances under this Lease where the prior consent or permission of Landlord is required before Tenant is authorized to take any particular type of action, except as specifically provided in this Lease, such consent must be in writing and the matter of whether to grant such consent or permission shall be within the sole and exclusive judgment and discretion of Landlord, and it shall not constitute any nature of breach by Landlord under this Lease or any defense to the performance of any covenant, duty or obligation of Tenant under this Lease that Landlord delayed or withheld the granting of such consent or permission, whether or not the delay or withholding of such consent or permission was prudent or reasonable or based on good cause unless this Lease specifically provides that Landlord's consent shall not be unreasonably withheld or delayed.

With respect to any provision of this Lease which provides that Tenant shall obtain Landlord's prior consent or approval, Landlord may withhold such consent or approval for any reason at its sole discretion, unless the provision specifically states that the consent or approval will not be unreasonably withheld.

With respect to any provision of this Lease which provides that Landlord shall not unreasonably withhold or unreasonably delay any consent or any approval, Tenant, in no event, shall be entitled to make, nor shall Tenant make, any claim for, and Tenant hereby waives any claim for money damages; nor shall Tenant claim any money damages by way of setoff, counterclaim or defense, based upon any claim or assertion by Tenant that Landlord has unreasonably withheld or unreasonably delayed any consent or approval, unless Landlord has acted in an arbitrary and capricious manner; but Tenant's sole remedy shall be an action or proceeding to enforce any such provision, or for specific performance, injunction or declaratory judgment.

Section 11.7 Joint and Several Liability. If there is more than one Tenant, then the obligations hereunder imposed upon Tenant shall be joint and several. If there is a guarantor of Tenant's obligations hereunder, then the obligations hereunder imposed upon Tenant shall be the joint and several obligations of Tenant and such guarantor, and Landlord need not first proceed against Tenant before proceeding against such guarantor nor shall any such guarantor be released from its guaranty for any reason whatsoever.

Section 11.8 Independent Covenants. The obligation of Tenant to pay Rent and other monetary obligations provided to be paid by Tenant under this Lease and the obligation of Tenant to perform Tenant's other covenants and duties under this Lease constitute independent, unconditional obligations of Tenant to be performed at all times provided for under this Lease, save and except only when an abatement thereof or reduction therein is expressly provided for in this Lease and not otherwise, and Tenant acknowledges and agrees that in no event shall such obligations, covenants and duties of Tenant under this Lease be dependent upon the condition of the Premises or the Project, or the performance by Landlord of its obligations hereunder.

Section 11.9 Attorneys' Fees and Other Expenses. In the event either party hereto defaults in the faithful performance or observance of any of the terms, covenants, provisions, agreements or conditions contained in this Lease, the party in default shall be liable for and shall pay to the nondefaulting party all expenses incurred by such party in enforcing any of its remedies for any such default, and if the nondefaulting party places the enforcement of all or any part of this Lease in the hands of an attorney, the party in default agrees to pay the nondefaulting party's reasonable attorneys' fees in connection therewith.

Section 11.10 Recording. Neither Landlord nor Tenant shall record this Lease, but a short-form memorandum hereof may be recorded at the request of Landlord or Tenant.

Section 11.11 Disclaimer; Waiver of Jury Trial. LANDLORD AND TENANT EXPRESSLY ACKNOWLEDGE AND AGREE, AS A MATERIAL PART OF THE CONSIDERATION FOR LANDLORD'S ENTERING INTO THIS LEASE WITH TENANT, THAT, EXCEPT AS OTHERWISE SET FORTH IN THIS LEASE, LANDLORD HAS MADE NO WARRANTIES TO TENANT AS TO THE USE OR CONDITION OF THE PREMISES OR THE PROJECT, EITHER EXPRESS OR IMPLIED, AND LANDLORD AND TENANT EXPRESSLY DISCLAIM ANY IMPLIED WARRANTY THAT THE PREMISES OR THE PROJECT ARE SUITABLE FOR TENANT'S INTENDED COMMERCIAL PURPOSE OR ANY OTHER WARRANTY (EXPRESS OR IMPLIED) REGARDING THE PREMISES OR THE PROJECT. EXCEPT AS EXPRESSLY SET FORTH IN THIS LEASE, LANDLORD AND TENANT EXPRESSLY AGREE THAT THERE ARE NO, AND SHALL NOT BE ANY, IMPLIED WARRANTIES OF MERCHANTABILITY, HABITABILITY, FITNESS FOR A PARTICULAR PURPOSE OR ANY OTHER KIND ARISING OUT OF THIS LEASE, ALL SUCH OTHER EXPRESS OR IMPLIED WARRANTIES IN CONNECTION HERewith BEING EXPRESSLY DISCLAIMED AND WAIVED.

LANDLORD AND TENANT WAIVE THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING BASED UPON, OR RELATED TO, THE SUBJECT MATTER OF THIS LEASE. THIS WAIVER IS KNOWINGLY, INTENTIONALLY, AND VOLUNTARILY MADE BY TENANT AND TENANT ACKNOWLEDGES THAT NEITHER LANDLORD NOR ANY PERSON ACTING ON BEHALF OF LANDLORD HAS MADE ANY REPRESENTATIONS OF FACT TO INDUCE THIS WAIVER OF TRIAL BY JURY OR IN ANY WAY TO MODIFY OR NULLIFY ITS EFFECT. TENANT FURTHER ACKNOWLEDGES THAT IT HAS BEEN REPRESENTED (OR HAS HAD THE OPPORTUNITY TO BE REPRESENTED) IN THE SIGNING OF THIS LEASE AND IN THE MAKING OF THIS WAIVER BY INDEPENDENT LEGAL COUNSEL, SELECTED OF ITS OWN FREE WILL, AND THAT IT HAS HAD THE OPPORTUNITY TO DISCUSS THIS WAIVER WITH COUNSEL. TENANT FURTHER ACKNOWLEDGES THAT IT HAS READ AND UNDERSTANDS THE MEANING AND RAMIFICATIONS OF THIS WAIVER PROVISION AND AS EVIDENCE OF SAME HAS EXECUTED THIS LEASE.

Section 11.12 No Access to Roof. Tenant shall have no right of access to the roof of the Premises or the Building, except as set forth in Special Stipulation No. 3 of Exhibit C attached hereto.

Section 11.13 Parking. Tenant's occupancy of the Premises shall initially include the use of up to fourteen (14) parking spaces (based on a ratio of 4.0 parking spaces per 1,000 rentable square feet) which shall be used in common with other tenants, invitees and visitors of the Building. Tenant shall have the right to park in the Building parking facilities in common with other tenants of the Building upon such terms and conditions, including the imposition of a reasonable parking charge, if the same is established by Landlord at any time during the Term of this Lease. Tenant agrees not to overburden the parking facilities and agrees to cooperate with Landlord and other tenants in use of the parking facilities. Landlord reserves the right in its absolute discretion to determine whether the parking facilities are becoming overburdened and to allocate and assign parking spaces among Tenant and other tenants, and to reconfigure the parking area and modify the existing ingress to and egress from the parking area as Landlord shall deem appropriate.

Section 11.14 No Accord or Satisfaction. No payment by Tenant or receipt by Landlord of a lesser amount than the Rent and other sums due hereunder shall be deemed to be other than on account of the earliest Rent or other sums due, nor shall any endorsement or statement on any check or accompanying any check or payment be deemed an accord and satisfaction; and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Rent or other sum and to pursue any other remedy provided in this Lease.

Section 11.15 Acceptance. The submission of this Lease by Landlord does not constitute an offer by Landlord or other option for, or restriction of, the Premises, and this Lease shall only become effective and binding upon Landlord, upon full execution hereof by Landlord and delivery of a signed copy to Tenant.

Section 11.16 Waiver of Counterclaim. Tenant hereby waives the right to interpose any counterclaim of whatever description in any summary proceeding.

Section 11.17 Time Is of the Essence. Time is of the essence of this Lease. Unless specifically provided otherwise, all references to terms of days or months shall be construed as references to calendar days or calendar months, respectively.

Section 11.18 Counterparts. This Lease may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but such counterparts shall together constitute one and the same instrument.

Section 11.19 Execution and Delivery of Lease. This Lease shall not be valid and binding on Landlord and Tenant unless and until it has been completely executed by and delivered to both parties.

Section 11.20 Real Estate Investment Trust. During the Term of this Lease, should a real estate investment trust become Landlord hereunder, all provisions of this Lease shall remain in full force and effect except as modified by this paragraph. If Landlord in good faith determines that its status as a real estate investment trust under the provisions of the Internal Revenue Code of 1986, as heretofore or hereafter amended, will be jeopardized because of any provision of this Lease, Landlord may request reasonable amendments to this Lease and Tenant will not unreasonably withhold, delay or defer its consent thereto, provided that such amendments do not (a) increase the monetary obligations of Tenant pursuant to this Lease or (b) in any other manner adversely affect Tenant's interest in the Premises.

[Signatures Follow]

IN TESTIMONY WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

LANDLORD

PARAGON CENTRE HOLDINGS, LLC, a Kentucky limited liability company

By: /s/ David W. Nicklies

David W. Nicklies, Manager

Date: December 10, 2012

TENANT

TEXAS ROADHOUSE HOLDINGS LLC, a Kentucky limited liability company

By: Texas Roadhouse, Inc., a Delaware corporation, its Manager

By: /s/ Scott M. Colosi

Scott M. Colosi, President

Date: December 11 2012

EXHIBIT A

LEGAL DESCRIPTION OF ONE PARAGON CENTRE LAND

Being a portion of Tract I conveyed to Louisville Dutchmans Lane Associates, Ltd. as recorded in Deed Book 5533, Page 288 in the Office of the County Court Clerk of Jefferson County, Kentucky; and more particularly described as follows:

Beginning at the northern most corner of Tract C as conveyed to Louisville Dutchmans Lane Associates, Ltd. as recorded in Deed Book 5396, Page 960 in the aforesaid clerk's office, said point being in the southerly right-of-way line of Dutchmans Lane; thence with Dutchmans Lane, South 54 degrees 52 minutes 12 seconds West, 73.00 feet to the true point of beginning; thence leaving Dutchmans Lane, South 70 degrees 48 minutes 13 seconds East, 125.16 feet to a point; thence South 35 degrees 07 minutes 48 seconds East, 22.00 feet to a point; thence South 53 degrees 03 minutes 20 seconds East, 164.96 feet to a point; thence South 59 degrees 14 minutes 14 seconds East, 301.59 feet to a point in the north right-of-way of the Watterson Expressway 1-264, thence with said right-of-way line South 32 degrees 07 minutes 00 seconds West, 128.24 feet to a point; thence South 53 degrees 44 minutes 40 seconds West, 248.53 feet to a point; thence leaving said right-of-way North 47 degrees 17 minutes 46 seconds West, 243.59 feet to a point; thence North 05 degrees 50 minutes 34 seconds West 34.25 feet to a point; thence North 50 degrees 50 minutes 16 seconds West, 5.34 feet to a point; thence with the arc of a curve to the left having a radius of 11.00 feet and a chord of North 73 degrees 20 minutes 26 seconds West, 8.43 feet to a point; thence South 84 degrees 09 minutes 25 seconds West, 62.44 feet to a point; thence North 50 degrees 50 minutes 34 seconds West, 24.00 feet to a point; thence North 39 degrees 09 minutes 26 seconds East, 18.32 feet to a point; thence with the arc of a curve to the left having a radius of 12.00 feet and a chord of North 06 degrees 36 minutes 16 seconds West, 17.20 feet to a point; thence with the arc of a curve to the right having a radius of 867.00 feet and a chord of North 48 degrees 27 minutes 20 seconds West, 118.26 feet to a point; thence North 46 degrees 11 seconds 52 minutes West, 112.93 feet to a point; thence North 35 degrees 07 minutes 48 seconds West, 31.00 feet to a point in the southerly right-of-way line of Dutchmans Lane; thence North 54 degrees 52 minutes 12 seconds East, 245.07 feet to the true point of beginning containing approximately 4.475 acres.

EXCEPTING THEREFROM that certain parcel conveyed to the Commonwealth of Kentucky by Deed of Conveyance dated June 28, 1989, and recorded in Deed Book 5 876 Page 90 in the Office of the Clerk of the County Clerk of Jefferson County, Kentucky, and further described as follows:

BEGINNING at a point in the existing access control and right of way line, said point being the Grantor's east property corner, 11.56 feet left of Ramp 7 Station 721+84.23; thence with said existing access control and right of way line and the Grantor's southeast property line the following courses: South 33 degrees 21 minutes 23 seconds West (Grantor's Survey South 32 degrees 07 minute 00 seconds West), 128.24 feet to a point 32.01 feet left of Ramp 7 Station 723+05.85; thence South 54 degrees 59 minutes 03 seconds West (Grantor's Survey South 53 degrees 44 minutes 40 seconds West), 248.53 feet to the Grantor's south property corner 3 8.00 feet left of 1 -264 Station 606-52.59; thence with the Grantor's southwest property line North 46 degrees 03 minutes 23 seconds West (Grantor's Survey North 47 degrees 17 minutes 46 seconds West), 66.11 feet to a point with proposed access control and right of way line 101.25 feet left of 1-264 Station 60633.36; thence with said proposed access control and right of way line the following courses: North 60 degrees 15 minutes 12 seconds East, 166.65 feet to a point 103.00 feet left of Station 608+00.00; North 53 degrees 46 minutes 30 seconds East, 86.28 feet to a point 20.00 feet right of Ramp 7 Station 723+10.00; North 36 degrees 30 minutes 05 seconds East, 116.76 feet to a point in the Grantor's northeast property line 33.05 feet right of Ramp 7 Station 721+87.12; thence with said northeast property line South 57 degrees 59 minutes 51 seconds East (Grantor's Survey South 59 degrees 14 seconds East), 44.70 feet to the point of beginning containing approximately .0449 acre.

EXHIBIT B
FLOORPLAN of PREMISES



EXHIBIT C

SPECIAL STIPULATIONS

These Special Stipulations are hereby incorporated into this Lease and in the event that they conflict with any provisions of this Lease, these Special Stipulations shall control.

1. Extension Option.

(a) So long as this Lease is in full force and effect and Tenant is not in default beyond any applicable notice and cure period in the performance of any of the covenants or terms and conditions of this Lease at the time of notification to Landlord or at the time of commencement of the Extension Period, as that term is hereinafter defined, Tenant shall have the option (the "Extension Option") to extend the Term for the entire Premises for two (2) additional periods of six (6) years each (each, an "Extension Period"), which Extension Period shall commence upon the expiration of the initial Term upon the same terms and conditions of this Lease, except that the Base Rent shall increase annually by three percent (3%).

(b) Tenant shall accept the Premises in their existing condition (on an "as is" basis) upon the commencement of the Extension Period(s) and Landlord shall have no obligation to grant or pay any allowance, abatement or concession of any kind with respect to the Premises. Tenant shall have no option to renew or extend this Lease beyond the expiration of the Extension Period(s).

(c) The Extension Option(s) is personal to Tenant and to any Permitted Transferee; furthermore, in the event of an assignment of this Lease to a party other than a Permitted Transferee or a sublease to a party other than a Permitted Transferee by Tenant of more than fifty percent (50%) of the Premises, the Extension Option(s) shall become null and void and of no further force or effect.

2. Signage.

So long as Tenant is not in default under this Lease past applicable notice and cure periods, Tenant shall have the right to install and maintain, at its sole cost and expense, signage depicting Tenant's identification logo and name on the existing monument sign located between the Building and One Paragon Centre:

(a) The location, design, construction, size, font of lettering, method of attachment and all other aspects of such signage shall be subject to Landlord's written consent prior to the fabrication and installation of such signage, which consent shall not be unreasonably withheld or delayed and such signage must also comply with all applicable rules, regulations, ordinances and laws including, without limitation, zoning ordinances.

(b) The expense of installing, constructing, maintaining and removing the sign shall be the sole cost and expense of Tenant and shall be paid directly by Tenant. Tenant shall be responsible for all costs and expenses associated with such signage and Tenant shall promptly repair any damage resulting from the installation, construction, maintenance or removal of such signage, normal wear and tear, fire or other casualty excepted.

(c) Tenant hereby agrees to indemnify and hold Landlord harmless for any cost, expense, loss or other liability associated with the installation, construction, maintenance and removal of the sign.

(d) The foregoing rights granted to Tenant under this Special Stipulation No. 2 shall be personal to Tenant and to any Permitted Transferee (provided that Landlord shall have prior approval rights over any change in the name on such signage in addition to the approval rights set forth above); furthermore, in the event of any assignment of this Lease to a party other than a Permitted Transferee or subletting of the Premises to a party other than a Permitted Transferee by Tenant of more than fifty percent (50%) of the Premises, Tenant's signage rights as contained herein shall not be transferable or assignable to such third-party assignee or subtenant. Upon such an assignment of this Lease or subletting by Tenant, this right shall become null and void and of no further force and effect.

(e) Upon the expiration or earlier termination of this Lease, Tenant shall promptly remove the identification signage..

EXHIBIT D

WORK LETTER AGREEMENT

A. Approvals. Tenant shall be responsible for all work, construction and installation in the Premises, including but not limited to all fixtures, furniture, equipment and other office installations. Such work shall be referred to as "Tenant's Work," and shall be at Tenant's sole cost and expense. Tenant's Work shall be considered an alteration for purposes of this Lease, and shall be subject to the provisions of Section 6.1 thereof. Prior to commencing Tenant's Work, Tenant shall submit drawings and specifications for Tenant's Work to Landlord, showing all aspects of such work, to Landlord for Landlord's review and approval. Notwithstanding the review and approval by Landlord of Tenant's Space Plans and Specifications, Landlord shall have no responsibility or liability in regard to the safety, sufficiency, adequacy or legality thereof and Tenant shall be solely responsible for the compliance of such plans and specifications (and improvements constructed as a result thereof) with all applicable laws and regulations, the architectural completeness and sufficiency thereof and other matters relating thereto.

B. Insurance. Tenant shall secure, pay for, and maintain, or cause its contractors and subcontractors to secure, pay for, and maintain, during the continuance of construction and fixturing work within the Premises, all of the insurance policies required in the amounts as set forth in the Lease, together with such insurance as may from time to time be required by city, county, state or federal laws, codes, regulations or authorities. Tenant shall not commence, nor may it permit its contractors and its subcontractors to commence any work, until all required insurance has been obtained, and, if Landlord requests, until Tenant's certificates of such insurance have been delivered to Landlord, tenant's insurance policies shall name the Landlord, and Landlord's mortgagee(s), if any, as additional insureds. Tenant's certificates of insurance shall provide that no change or cancellation of such insurance coverage shall be undertaken without thirty (30) days prior written notice to Landlord. Landlord shall have the right to require Tenant, and Tenant shall have the duty, to stop work in the Premises immediately if any of the coverage Tenant is required to carry herein lapses during the course of the work, in which event Tenant's Work may not be resumed until the required insurance is obtained and satisfactory evidence of same is provided to Landlord.

EXHIBIT E

BUILDING RULES AND REGULATIONS

1. Sidewalks, doorways, vestibules, halls, stairways, and other similar areas shall not be used for the disposal of trash, be obstructed by Tenant or be used by Tenant for any purpose other than ingress and egress to and from the Premises and for going from one part of the Building to another part of the Building.
 2. Plumbing fixtures and appliances shall be used only for the purposes for which designed, and no sweepings, rubbish, rags, or other unsuitable material shall be thrown or placed therein. Damage resulting to any such fixtures or appliances from misuse by Tenant shall be paid by such Tenant and Landlord shall not in any case be responsible therefor.
 3. Signs, advertisements, or notices visible in or from public corridors or from outside the Building shall be subject to Landlord's prior written approval. Without Landlord's prior consent, no nails, hooks, or screws shall be driven or inserted into any part of the Building, and no curtains or other window treatments shall be placed between the glass and the Building standard window treatments.
 4. With respect to work being performed by Tenant in the Premises, Tenant shall refer all contractors, contractors' representatives, and installation technicians rendering any service to Tenant to Landlord for Landlord's supervision and approval before the performance of any contractual services. This provision shall apply to all work performed in the Building, including, but not limited to, installations of telephones, telegraph equipment, electrical devices and attachments, and any and all installations of every nature affecting floors, walls, woodwork, trim, windows, ceilings, equipment, and other physical portions of the Building.
 5. Movement in or out of the Building of furniture, office equipment, safes and other heavy equipment, or the dispatch or receipt by Tenant of any bulky material or merchandise, or materials which require use of elevators or stairways or movement through the Building entrances or lobby, shall be restricted to such hours as Landlord designates. All such movement shall be under the supervision of Landlord and in the manner agreed between Tenant and Landlord by prearrangement before performance. Such prearrangement, to be initiated by Tenant, will include determination by Landlord as to the time, method, and routing of such movement and as to limitations for safety or other concerns. Tenant assumes all risks of damage to articles moved and injury to persons engaged or not engaged in such movement. Tenant shall be liable to personnel of Landlord damaged or injured as a result of acts in connection with carrying out this service for Tenant, and Landlord shall not be liable for the acts of any person engaged in, or any damage or loss to any property or persons resulting from any act in connection with, such service performed for Tenant.
 6. Building management shall have the right and authority to prescribe the maximum weight and position of safes and other heavy equipment, which may overstress any portion of a floor. All damages done to the Building by taking in or putting out any property of Tenant, or done by Tenant's property while in the Building, shall be repaired at the expense of Tenant.
 7. Corridor doors, when not in use, shall be kept closed.
 8. Tenant space visible from a public area must be kept neat and clean.
 9. Should Tenant require telegraphic, telephonic, annunciation, or other communication services, Landlord will direct the electricians as to where and how wires are to be introduced and placed, and none shall be introduced or placed except as Landlord shall direct. Electric current shall not be used for power or heating without Landlord's prior written permission.
 10. No animals shall be brought into or kept in, on, or about the Building.
 11. All routine deliveries to the Premises during 8:00 a.m. to 5:00 p.m. weekdays shall be made through the freight elevators. Passenger elevators are to be used only for the movement of persons, unless an exception is approved by the Building management office.
 12. All freight elevator lobbies are to be kept neat and clean. The disposal of trash or storage of materials in these areas by Tenant is prohibited.
 13. Tenant shall not tamper with or attempt to adjust temperature control thermostats in the Premises. Landlord shall adjust thermostats as required to maintain the Building standard temperature. Landlord requests that all window blinds remain down and tilted at a 45-degree angle toward the street to help maintain comfortable room temperatures and conserve energy.
 14. Tenant will comply with all security procedures during business hours and after hours and on weekends.
 15. Tenants are requested to lock all office doors leading to corridors and to turn out all lights at the close of their working day.
 16. All requests for overtime air conditioning or heating must be submitted in writing to the Building management office by 4:00 p.m. on the preceding business day.
 17. No flammable or explosive fluids or materials shall be kept or used within the Building except in areas approved by Landlord, and Tenant shall comply with all applicable building and fire codes relating thereto.
 18. Tenant may not place any items on the balconies of the Building without obtaining Landlord's prior written consent.
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19. No smoking shall be permitted in the Premises. Smoking shall only be permitted in areas expressly designated by Landlord from time to time.

20. Landlord reserves the right to rescind any of these rules and regulations and to make such other and further rules and regulations as in its good faith judgment shall from time to time be needed for the safety, protection, care and cleanliness of the Property, the operation thereof, the preservation of good order therein, and the protection and comfort of the tenants and their agents, employees, and invitees, which rules and regulations, when made and written notice thereof is given to Tenant, shall be binding upon Tenant in like manner as if originally herein prescribed.

FIRST AMENDMENT TO LEASE

This First Amendment to Lease ("Amendment"), made and entered into as of the 10 date of January, 2013, by and between **Paragon Centre Holdings, LLC**, a Kentucky limited liability company ("Landlord") and **Texas Roadhouse Holdings LLC**, a Kentucky limited liability company ("Tenant");

WITNESSETH THAT:

WHEREAS, Landlord and Tenant entered into that certain Lease dated December 11, 2012 ("Lease"), for Suites 140 and 150 in One Paragon Centre, 6060 Dutchmans Lane, Louisville, Kentucky, for a total of 3,424 square feet of rentable space ("Premises");

WHEREAS, Landlord and Tenant desire to amend certain terms and conditions of the Lease and evidence their agreements and other matters by means of this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Lease is hereby amended and the parties hereby agree as follows:

1. Under Article 1, Basic Lease Provisions, Building shall be defined to mean the approximately 62,148 square foot structure situated upon the Land (hereinafter defined) commonly known as One Paragon Centre located at 6060 Dutchmans Lane, Louisville, Jefferson County, Kentucky 40205, as the same currently exists or as it may from time to time hereafter be expanded or modified.
2. Under Exhibit C, section 1(a) shall be amended to state, "Tenant shall provide notice of its intention to exercise any available Extension Option no later than nine (9) months prior to the end of the current Term."
3. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.
4. This Amendment shall not be valid and binding on Landlord and Tenant unless and until it has been completely executed by and delivered to both parties.

EXCEPT AS expressly amended and modified hereby, the Lease shall otherwise remain in full force and effect, the parties hereto hereby ratifying and confirming the same. To the extent of any inconsistency between the Lease and this Amendment, the terms of this Amendment shall control as to the subject matter covered herein.

IN WITNESS WHEREOF, the undersigned parties have duly executed this Amendment as of the date and year first above written.

LANDLORD:
PARAGON CENTRE HOLDINGS, LLC
A Kentucky limited liability company

TENANT:
TEXAS ROADHOUSE
HOLDINGS LLC
a Kentucky limited liability company
By: By: Texas Roadhouse, Inc., a Delaware corporation, its Manager

By: /s/ David W. Nicklies
David W. Nicklies, Manager

By: /s/ Russell Arbuckle
Title: Director of Real Estate

SECOND AMENDMENT TO LEASE

This Second Amendment to Lease ("Amendment"), made and entered into as of the 11th day of February, 2015, by and between **Paragon Centre Holdings, LLC**, a Kentucky limited liability company ("Landlord") and **Texas Roadhouse Holdings LLC**, a Kentucky limited liability company ("Tenant");

WITNESSETH THAT:

WHEREAS, Landlord and Tenant entered into that certain Lease dated December 11, 2012, as amended pursuant to that certain First Amendment to Lease dated January 10, 2013 (collectively "Lease"), for Suites 140 and 150 in One Paragon Centre, 6060 Dutchmans Lane, Louisville, Kentucky, for a total of 3,424 square feet of rentable space ("Premises");

WHEREAS, Tenant now occupies the aforesaid Suites and desires to lease additional space known as Suite 200 in One Paragon Centre for a total of 5,877 in additional square feet of rentable space.

WHEREAS, Landlord and Tenant desire to amend certain terms and conditions of the Lease and evidence their agreements and other matters by means of this Amendment;

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Lease is hereby amended and the parties hereby agree as follows:

1. Landlord agrees to lease and Tenant agrees to accept in its "AS IS WHERE IS" condition, Suite 200 in One Paragon Centre deemed to be 5,877 square feet of rentable space. Paragraph 2.1 of the Lease shall be amended to include Suite 200 as a part of the Premises and the total rentable square footage of the Premises shall be amended to 9,301 square feet effective March 1, 2015. The term for Suite 200 shall run co-terminous with the remainder of the Premises. Paragraph 2.2 of the Lease is hereby amended to state that Tenant's obligation to pay Base Rent and Tenant's Prorata Share of Operating Expenses for Suite 200 commences March 1, 2015.
2. Landlord and Tenant agree that the Base Rent for Suite 200 commencing on March 1, 2015 will be at the same rate due and payable as of such date for Suites 140 and 150, said rate being \$19.89 per square foot as of March 1, 2015, and shall thereafter be increased as of the dates and in the amounts provided for in Section 3.1 of the Lease.
3. Landlord and Tenant agree that Section 11.13 of the Lease shall be deleted in its entirety and replaced by the following:

Section 11.13. Parking. Tenant's occupancy of the Premises shall initially include the use of up to thirty seven (37)

parking spaces (based on a ratio of 4.0 parking spaces per 1,000 rentable square feet) which shall be used in common with other tenants, invitees and visitors of the Building. Tenant shall have the right to park in the Building parking facilities in common with other tenants of the Building upon such terms and conditions, including the imposition of a reasonable parking charge, if the same is established by Landlord at any time during the Term of this Lease. Tenant agrees not to overburden the parking facilities and agrees to cooperate with Landlord and other tenants in use of the parking facilities. Landlord reserves the right in its absolute discretion to determine whether the parking facilities are becoming overburdened and to allocate and assign parking spaces among Tenant and other tenants, and to reconfigure the parking area and modify the existing ingress to and egress from the parking area as Landlord shall deem appropriate.

4. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.
5. This Amendment shall not be valid and binding on Landlord and Tenant unless and until it has been completely executed by and delivered to both parties.

EXCEPT AS expressly amended and modified hereby, the Lease shall otherwise remain in full force and effect, the parties hereto hereby ratifying and confirming the same. To the extent of any inconsistency between the Lease and this Amendment, the terms of this Amendment shall control as to the subject matter covered herein.

IN WITNESS WHEREOF, the undersigned parties have duly executed this Amendment as of the date and year first above written.

LANDLORD:
PARAGON CENTRE HOLDINGS, LLC
A Kentucky limited liability company

By: /s/ David W. Nicklies
David W. Nicklies, Manager

TENANT:
TEXAS ROADHOUSE
HOLDINGS LLC
a Kentucky limited liability company
By: By: Texas Roadhouse, Inc., a Delaware corporation, its Manager

By: /s/ Scott Colosi
Name: Scott Colosi
Title: President

THIRD AMENDMENT TO LEASE

This Third Amendment to Lease ("Amendment"), made and entered into as of the 25th date of January, 2016, by and between **Paragon Centre Holdings, LLC**, a Kentucky limited liability company ("Landlord") and **Texas Roadhouse Holdings LLC**, a Kentucky limited liability company ("Tenant");

WITNESSETH THAT:

WHEREAS, Landlord and Tenant entered into that certain Lease dated December 11, 2012, as amended pursuant to that certain First Amendment to Lease dated January 10, 2013, and that certain Second Amendment to Lease dated February 11, 2015 (collectively, the "Lease"); and

WHEREAS, Tenant desires to lease additional space known as Suites 420 and 430 in One Paragon Centre for a total of 3,566 in additional square feet of rentable space; and

WHEREAS, Landlord and Tenant desire to amend certain terms and conditions of the Lease and evidence their agreements and other matters by means of this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Lease is hereby amended and the parties hereby agree as follows:

1. Landlord agrees to lease and Tenant agrees to accept in its "AS IS WHERE IS" condition, Suites 420 and 430 in One Paragon Centre deemed to be 2,136 and 1,430 square feet of rentable space, respectively. Paragraph 2.1 of the Lease shall be amended to include Suites 420 as of June 1, 2016, and 430 as of February 1, 2016 as a part of the Premises and the total rentable square footage of the Premises shall be amended to 10,731 square feet effective February 1, 2016 and 12,867 square feet effective June 1, 2016. The term for Suites 420 and 430 shall be coterminous with the remainder of the Premises. Paragraph 2.2 of the Lease is hereby amended to state that Tenant's obligation to pay Base Rent and Tenant's Prorata Share of Operating Expenses commences for Suite 430 on February 1, 2016 and for Suite 420 on June 1, 2016.
 2. Landlord and Tenant agree that the Base Rent for Suite 430 will be at the rate of \$21.50 per square foot as of February 1, 2016, and the Base Rent for Suite 420 will be at the rate of \$21.50 per square foot as of June 1, 2016, and shall thereafter be increased by 3% as of the dates provided for in Section 3.1 of the Lease.
 3. Landlord and Tenant agree that Section 11.13 of the Lease shall be amended to state that Tenant's occupancy of the Premises shall include the use of up to forty-two (42) parking spaces as of February 1, 2016 and up to fifty one (51)
-

parking spaces as of June 1, 2016, (based on a ratio of 4.0 parking spaces per 1,000 rentable square feet) which shall be used in common with other tenants, invitees and visitors of the Building.

4. With respect to Suites 420 and 430 only, Exhibit C, Section 1(a) shall be amended to state that Tenant shall have the option (the "Extension Option") to extend the Term for Suites 420 and 430 for six (6) additional periods of one (1) year each (the "One Year Options"), and thereafter one (1) additional period of six (6) years (the "Six Year Option," and, together with the One Year Options, each, an "Extension Period"), which Extension Period shall commence upon the expiration of the initial Term or the prior Extension Period, as applicable, upon the same terms and conditions of this Lease, except that the Base Rent shall increase annually by three percent (3%). With respect to the One Year Options, Tenant shall be required to provide written notice of its intention to exercise any available option no later than thirty (30) days prior to the end of the then-current Term. With respect to the Six Year Option, Tenant shall be required to provide written notice of its intention to exercise such option no later than ninety (90) days prior to the end of the then-current Term.
5. All capitalized terms used herein and not otherwise defined herein shall have the meanings ascribed to them in the Lease.
6. This Amendment shall not be valid and binding on Landlord and Tenant unless and until it has been completely executed by and delivered to both parties.

EXCEPT AS expressly amended and modified hereby, the Lease shall otherwise remain in full force and effect, the parties hereto hereby ratifying and confirming the same. To the extent of any inconsistency between the Lease and this Amendment, the terms of this Amendment shall control as to the subject matter covered herein.

IN WITNESS WHEREOF, the undersigned parties have duly executed this Amendment as of the date and year first above written.

LANDLORD:

PARAGON CENTRE HOLDINGS, LLC,
a Kentucky limited liability company

TENANT:

TEXAS ROADHOUSE HOLDINGS LLC,
a Kentucky limited liability company

By: Texas Roadhouse, Inc., a Delaware
corporation, its Manager

By: /s/ David W. Nicklies
David W. Nicklies, Manager

By: /s/ Celia Catlett
Celia Catlett, General Counsel

**2016 EMPLOYMENT AGREEMENT
(Chris Jacobsen)**

THIS 2016 EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the date of execution by both parties by and between TEXAS ROADHOUSE MANAGEMENT CORP., a Kentucky corporation (the "Company"), and S. CHRIS JACOBSEN, a resident of the Commonwealth of Kentucky ("Executive").

RECITALS

- A. Executive will be employed as the Chief Marketing Officer of Texas Roadhouse, Inc.
- B. Executive and the Company each desire to formalize Executive's employment with this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the respective agreements of the Company and Executive set forth below, the Company and Executive, intending to be legally bound, agree as follows:

1. *Effective Date.* The terms and conditions of Executive's employment hereunder shall become effective February 11, 2016 (the "Effective Date").

2. *Employment.* Subject to all the terms and conditions of this Agreement, Executive's period of employment under this Agreement shall be the period commencing on the Effective Date and ending on January 7, 2019 (the "Third Anniversary Date"), which term, unless otherwise agreed to by the parties, shall be extended on the Third Anniversary Date and on each anniversary of that date thereafter, for a period of one year thereafter (which term together with any such extensions, if any, shall be hereinafter defined as the "Term"), unless Executive's employment terminates earlier in accordance with Section 9 hereof. Thereafter, if Executive continues in the employ of the Company, the employment relationship shall be at will, terminable by either Executive or the Company at any time and for any reason, with or without cause, and subject to such terms and conditions established by the Company from time to time.

3. *Position and Duties.*

(a) *Employment with the Company.* While Executive is employed by the Company during the Term, Executive shall be employed as the Chief Marketing Officer of Texas Roadhouse, Inc., and such other titles as the Company may designate, and shall perform such duties and responsibilities as the Company shall assign to him from time to time, including duties and responsibilities relating to Texas Roadhouse, Inc.'s wholly-owned and partially owned subsidiaries and other affiliates.

(b) *Performance of Duties and Responsibilities.* Executive shall serve the Company faithfully and to the best of his ability and shall devote his full working time, attention and efforts to the business of the Company during his employment with the Company hereunder. While Executive is employed by the Company during the Term, Executive shall report to the President and to the Chairman, Chief Executive Officer or to such other person as designated by the Board of Directors of Texas Roadhouse, Inc. (the "Board"). Executive hereby represents and confirms that he is under no contractual or legal commitments that would prevent him from fulfilling his duties and responsibilities as set forth in this Agreement. During his employment with the Company, Executive shall not accept other employment or engage in other material business activity, except as approved in writing by the Board. Executive may participate in charitable activities and personal investment activities to a reasonable extent, and he may serve as a director of business organizations as approved by the Board, so long as such activities and directorships do not interfere with the performance of his duties and responsibilities hereunder.

4. *Compensation.*

(a) *Base Salary.* While Executive is employed by the Company during the Term, the Company shall pay to Executive a base salary at the rate of Three Hundred Thousand and 00/100 Dollars (\$300,000.00) for each year of the Term. Base salary will be subject to deductions and withholdings, and shall be paid in accordance with the Company's normal payroll policies and procedures. If Executive's employment is extended beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, Executive's base salary may be reviewed by the Compensation Committee of the Board to determine whether it should be adjusted.

(b) *Incentive Bonus.* Commencing with the Company's 2016 fiscal year and for each full fiscal year thereafter that Executive is employed by the Company during the Term, Executive shall be eligible for an annual incentive bonus, to be paid annually, based upon achievement of defined goals established by the Compensation Committee of the Board and in accordance with the terms of any incentive plan of the Company in effect from time to time (the "Incentive Bonus").

(i) The level of achievement of the objectives each fiscal year and the amount payable as Incentive Bonus shall be determined in good faith by the Compensation Committee of the Board. Any Incentive Bonus earned for a fiscal year shall be paid to Executive in a single lump sum on or before the date that is 2 ½ months following the last day of such fiscal year.

(ii) Subject to the achievement of the goals established by the Compensation Committee, as determined by the Compensation Committee, for each fiscal year of this Agreement, Executive shall be eligible for an annual target incentive bonus of One Hundred Twenty Five Thousand and 00/100 Dollars (\$125,000.00) for the first year of the Term; One Hundred Seventy Five Thousand and 00/100 Dollars (\$175,000.00) for the second year of the Term; and Two Hundred Thousand and 00/100 Dollars (\$200,000.00) for the third year of the Term. If Executive's employment is extended

beyond the Third Anniversary Date as provided in Section 2, then on or after the Third Anniversary Date, and annually thereafter, Executive's annual target incentive bonus may be reviewed by the Compensation Committee of the Board to determine whether it should be adjusted.

(c) *Stock Awards.*

(i) *Service Stock Award.* Pursuant to Section 6 of the Texas Roadhouse, Inc. 2013 Long Term Incentive Plan (the "Equity Incentive Plan") in place on the Effective Date, Executive shall be granted on the Effective Date a stock bonus award whereby Executive has the conditional right to receive upon vesting 30,000 shares of the common stock of Texas Roadhouse, Inc. (the "Service Stock Award"), provided this Agreement has been fully executed by both Executive and the Company. If this Agreement has not been fully executed by the Effective Date, the Service Stock Award shall be granted to Executive on the date it is fully executed.

The Service Stock Award shall vest in installments provided Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan, as follows:

January 8, 2017	10,000
January 8, 2018	10,000
January 8, 2019	10,000

(ii) *Retention Stock Award.* Executive shall also be granted on the Effective Date a stock bonus award whereby Executive has the conditional right to receive upon vesting 5,000 shares of the common stock of Texas Roadhouse, Inc. (the "Retention Stock Award"), provided this Agreement has been fully executed by both Executive and the Company. If this Agreement has not been fully executed by the Effective Date, the Retention Stock Award shall be granted to Executive on the date it is fully executed.

The Retention Stock Award shall vest on January 8, 2019 provided Executive continues to provide services to the Company as of the date of vesting, as provided in the Equity Incentive Plan.

(iii) If Executive's employment is terminated by the Company without Cause (as defined below) following a Change in Control (as defined below) and before the end of the Term of this Agreement, or if Executive's employment is terminated by Executive for Good Reason (as defined below) within 12 months following a Change in Control and before the end of the Term, or prior to a Change of Control at the direction of a person who has entered into an agreement with the Company, the consummation of which will constitute a Change of Control, and contingent upon Executive's execution of a full release of claims in the manner set forth in Section 10(h), all options or stock awards granted under any stock option and stock incentive plans of the Company that are outstanding as of the date of termination shall become immediately vested, and in the case

of stock options, shall immediately become exercisable in full and shall remain exercisable until the earlier of (A) two years after termination of Executive's employment by the Company or (B) the option expiration date as set forth in the applicable option agreement.

(iv) A "Change of Control" shall mean that one of the following events has taken place at any time during the Term:

(A) The shareholders of the Company approve one of the following:

(I) Any merger or statutory plan of exchange involving the Company ("Merger") in which the Company is not the continuing or surviving corporation or pursuant to which the Common Stock, \$0.001 par value ("Common Stock") would be converted into cash, securities or other property, other than a Merger involving the Company in which the holders of Common Stock immediately prior to the Merger have substantially the same proportionate ownership of common stock of the surviving corporation after the Merger; or

(II) Any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company or the adoption of any plan or proposal for the liquidation or dissolution;

(B) During any period of 12 months or less, individuals who at the beginning of such period constituted a majority of the Board of Directors cease for any reason to constitute a majority thereof unless the nomination or election of such new directors was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period;

(C) A tender or exchange offer, other than one made by:

(I) the Company, or by

(II) W. Kent Taylor or any corporation, limited liability company, partnership, or other entity in which W. Kent Taylor (x) owns a direct or indirect ownership of 50% or more or (y) controls 50% or more of the voting power (collectively, the "Taylor Parties")

is made for the Common Stock (or securities convertible into Common Stock) and such offer results in a portion of those securities being purchased and the offeror after the consummation of the offer is the beneficial owner (as determined pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), directly or indirectly, of securities representing in excess of the greater of (a) at least 20 percent of the voting power of outstanding securities of the Company or (b) the percentage of the

voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties; or

(D) Any person other than a Taylor Party becomes the beneficial owner of securities representing in excess of the greater of (i) 20 percent of the aggregate voting power of the outstanding securities of the Company as disclosed in a report on Schedule 13D of the Exchange Act or (ii) the percentage of the voting power of the outstanding securities of the Company collectively held by all of the Taylor Parties.

Notwithstanding anything in the foregoing to the contrary, no Change of Control shall be deemed to have occurred for purposes of this Agreement by virtue of any transaction which results in Executive, or a group of persons which includes Executive, acquiring, directly or indirectly, securities representing 20 percent or more of the voting power of outstanding securities of the Company.

For purposes of this Section 4(c)(iv), the term “Company” shall mean Texas Roadhouse, Inc.

(v) A termination by Executive for “Good Reason” shall mean a termination based on:

(A) the assignment to Executive of a different title or job responsibilities that result in a substantial decrease in the level of responsibility from those in effect immediately prior to the Change of Control;

(B) a reduction by the Company or the surviving company in Executive’s base pay as in effect immediately prior to the Change of Control;

(C) a significant reduction by the Company or the surviving company in total benefits available to Executive under cash incentive, stock incentive and other employee benefit plans after the Change of Control compared to the total package of such benefits as in effect prior to the Change of Control;

(D) the requirement by the Company or the surviving company that Executive be based more than 50 miles from where Executive’s office is located immediately prior to the Change of Control, except for required travel on company business to an extent substantially consistent with the business travel obligations which Executive undertook on behalf of the Company prior to the Change of Control; or

(E) the failure by the Company to obtain from any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the

Company (“Successor”) the assent to this Agreement contemplated by Section 13(g) hereof;

which is not cured within 30 days after Executive has delivered written notice of such condition to the Employer. In each case, Executive must give the Company notice of the condition within 90 days of the initial existence of the condition, and the separation from service must occur within a period of time not to exceed two years (or such shorter period as provided herein) following the initial existence of one or more of the conditions set forth above, or any termination will not be considered to be for Good Reason.

(d) *Benefits.* While Executive is employed by the Company during the Term, Executive shall be entitled to participate in all employee benefit plans and programs of the Company that are available to employees generally to the extent that Executive meets the eligibility requirements for each individual plan or program. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive’s participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

(e) *Expenses.* While Executive is employed by the Company during the Term, the Company shall reimburse Executive for all reasonable and necessary out-of-pocket business, travel and entertainment expenses incurred by him in the performance of his duties and responsibilities hereunder, subject to the Company’s normal policies and procedures for expense verification and documentation. Any reimbursements made under this Section 4(e) will be paid on or before the last day of Executive’s taxable year following the taxable year in which the expense is incurred.

(f) *Vacations and Holidays.* Executive shall be entitled to be absent from his duties for the Company by reason of vacation each fiscal year in accordance with the Company’s then-current policies in effect during the term. Executive’s vacation time each fiscal year will accrue in accordance with the Company’s normal policies and procedures. Executive shall coordinate his vacation schedule with the Company so as not to impose an undue burden on the Company. In addition, Executive shall be entitled to such national and religious holidays as the Company shall approve for all of its employees from time to time.

(g) *Clawback Provisions.* Notwithstanding any other provision in this Agreement to the contrary, any incentive based compensation, or any other compensation, paid or payable to Executive pursuant to this Agreement or any other agreement or arrangement with the Company which is subject to recovery under any law, government regulation, order or stock exchange listing requirement, will be subject to such deductions and clawback (recovery) as may be required to be made pursuant to law, government regulation, order, stock exchange listing requirement (or any policy of the Company adopted pursuant to any such law, government, regulation, order or stock exchange listing requirement). Executive specifically authorizes the Company to withhold from his future wages any amounts that may become due under this provision. Notwithstanding the

foregoing, Executive's authorization to withhold amounts from future wages that may become due under this provision does not apply and is specifically rescinded in the event of a Change in Control. This section 4(g) shall survive the termination of this Agreement for a period of three (3) years.

5. *Affiliated Entities.* As used in this Agreement, "Company" shall include the Company, Texas Roadhouse, Inc. and each corporation, limited liability company, partnership, or other entity that is controlled by Texas Roadhouse, Inc., or is under common control with the Texas Roadhouse, Inc. (in each case "control" meaning the direct or indirect ownership of 50% or more of all outstanding equity interests).

6. *Confidential Information; Non-Disparagement.*

(a) Except as required in the performance of Executive's duties as an employee of the Company or as authorized in writing by the Board, Executive shall not, either during Executive's employment with the Company or at any time thereafter, use, disclose or make accessible to any person any confidential information for any purpose. "Confidential Information" means information proprietary to the Company or its suppliers or prospective suppliers and not generally known (including trade secret information) about the Company's suppliers, products, services, personnel, customers, recipes, pricing, sales strategies, technology, computer software code, methods, processes, designs, research, development systems, techniques, finances, accounting, purchasing, and plans. All information disclosed to Executive or to which Executive obtains access, whether originated by Executive or by others, during the period of Executive's employment by the Company (whether before, during, or after the Term), shall be presumed to be Confidential Information if it is treated by the Company as being Confidential Information or if Executive has a reasonable basis to believe it to be Confidential Information. Executive acknowledges that the above-described knowledge and information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company. During Executive's employment with the Company, Executive shall refrain from committing any acts that would materially reduce the value of such knowledge or information to the Company. The foregoing obligations of confidentiality shall not apply to any knowledge or information that (i) is now or subsequently becomes generally publicly known, or (ii) is required to be disclosed by law or legal process, other than as a direct or indirect result of the breach of this Agreement by Executive. Executive acknowledges that the obligations imposed by this Section 6 are in addition to, and not in place of, any obligations imposed by applicable statutory or common law, and that nothing in this Section 6 prohibits Executive from reporting violations of the law to a governmental agency or entity.

(b) Executive shall not at any time during the Term and during the Restricted Period (as defined below), or after the Term disparage the Company, any of its affiliates and any of their respective officers and directors, and shall not, without the prior written consent of the Company, disclose any information he may have learned during

employment with the Company, including, but not limited to, any personal or financial information about an officer or director or his or her family member(s).

7. *Noncompetition Covenant.*

(a) *Agreement Not to Compete.* During Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, on his own behalf or on behalf of any person or entity other than the Company, including without limitation as a proprietor, principal, agent, partner, officer, director, stockholder, employee, member of any association, consultant or otherwise, engage in any business that is directly competitive with the business of the Company, including without limitation any business that operates one or more full-service, casual dining steakhouse restaurants, within the 50 United States or any foreign country in which the Company or its franchisees or its joint venture partners is operating or in which Executive knows the Company or its franchisees or its joint venture partners contemplates commencing operations during the Restricted Period. The provisions of this Section 7(a) shall also apply to any business which is directly competitive with any other business which the Company acquires or develops during Executive's employment with the Company.

(b) *Agreement Not to Hire.* Except as required in the performance of Executive's duties as an employee of the Company, during Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, hire, engage or solicit or induce or attempt to induce to cease working for the Company, any person who is then an employee of the Company or who was an employee of the Company during the six (6) month period immediately preceding Executive's termination of employment with the Company.

(c) *Agreement Not to Solicit.* Except as required in the performance of Executive's duties as an employee of the Company, during Executive's employment with the Company (whether before, during, or after the Term) and during the Restricted Period, Executive shall not, directly or indirectly, solicit, request, advise, induce or attempt to induce any vendor, supplier or other business contact of the Company to cancel, curtail, cease doing business with, or otherwise adversely change its relationship with the Company.

(d) *Restricted Period.* "Restricted Period" hereunder means the period commencing on the last day of Executive's employment with the Company and ending on the date that is two years following the last day of the Term.

(i) In the event Executive's employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement, and before the end of the Term of this Agreement, the Restricted Period will begin on the last day of Executive's employment with the Company and end on the date the last payment of the current base salary is made to Executive pursuant to paragraph 10(c).

(e) *Acknowledgment.* Executive hereby acknowledges that the provisions of this Section 7 are reasonable and necessary to protect the legitimate interests of the Company and that any violation of this Section 7 by Executive shall cause substantial and irreparable harm to the Company to such an extent that monetary damages alone would be an inadequate remedy therefor. Therefore, in the event that Executive violates any provision of this Section 7, the Company shall be entitled to an injunction, in addition to all the other remedies it may have, restraining Executive from violating or continuing to violate such provision.

(f) *Blue Pencil Doctrine.* If the duration of, the scope of or any business activity covered by any provision of this Section 7 is in excess of what is determined to be valid and enforceable under applicable law, such provision shall be construed to cover only that duration, scope or activity that is determined to be valid and enforceable. Executive hereby acknowledges that this Section 7 shall be given the construction that renders its provisions valid and enforceable to the maximum extent, not exceeding its express terms, possible under applicable law.

(g) *Permitted Equity Ownership.* Ownership by Executive, as a passive investment, of less than 2.5% of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in the over-the-counter market shall not constitute a breach of this Section 7.

8. *Intellectual Property.*

(a) *Disclosure and Assignment.* As of the Effective Date, Executive hereby transfers and assigns to the Company (or its designee) all right, title, and interest of Executive in and to every idea, concept, invention, and improvement (whether patented, patentable or not) conceived or reduced to practice by Executive whether solely or in collaboration with others while he is employed by the Company, and all copyrighted or copyrightable matter created by Executive whether solely or in collaboration with others while he is employed by the Company that relates to the Company's business (collectively, "Creations"). Executive shall communicate promptly and disclose to the Company, in such form as the Company may request, all information, details, and data pertaining to each Creation. Every copyrightable Creation, regardless of whether copyright protection is sought or preserved by the Company, shall be a "work made for hire" as defined in 17 U.S.C. § 101, and the Company shall own all rights in and to such matter throughout the world, without the payment of any royalty or other consideration to Executive or anyone claiming through Executive.

(b) *Trademarks.* All right, title, and interest in and to any and all trademarks, trade names, service marks, and logos adopted, used, or considered for use by the Company during Executive's employment (whether or not developed by Executive) to identify the Company's business or other goods or services (collectively, the "Marks"), together with the goodwill appurtenant thereto, and all other materials, ideas, or other property conceived, created, developed, adopted, or improved by Executive solely or jointly during Executive's employment by the Company and relating to its business shall

be owned exclusively by the Company. Executive shall not have, and will not claim to have, any right, title, or interest of any kind in or to the Marks or such other property.

(c) *Documentation.* Executive shall execute and deliver to the Company such formal transfers and assignments and such other documents as the Company may request to permit the Company (or its designee) to file and prosecute such registration applications and other documents it deems useful to protect or enforce its rights hereunder. Any idea, invention, copyrightable matter, or other property relating to the Company's business and disclosed by Executive prior to the first anniversary of the effective date of Executive's termination of employment shall be deemed to be governed by the terms of this Section 8 unless proven by Executive to have been first conceived and made after such termination date.

(d) *Non-Applicability.* Executive is hereby notified that this Section 8 does not apply to any invention for which no equipment, supplies, facility, Confidential Information, or other trade secret information of the Company was used and which was developed entirely on Executive's own time, unless (i) the invention relates (A) directly to the business of the Company or (B) to the Company's actual or demonstrably anticipated research or development, or (ii) the invention results from any work performed by Executive for the Company.

9. *Termination of Employment.*

(a) Executive's employment with the Company shall terminate immediately upon:

- (i) Executive's receipt of written notice from the Company of the termination of his employment;
- (ii) the Company's receipt of Executive's written or oral resignation from the Company;
- (iii) Executive's Disability (as defined below); or
- (iv) Executive's death.

(b) The date upon which Executive's termination of employment with the Company occurs shall be the "Termination Date."

Provided that, for purposes of the timing of payments triggered by the Termination Date under Section 10, the Termination Date shall not be considered to have occurred until the date Executive and the Company reasonably anticipate that (i) Executive will not perform any further services for the Company or any other entity considered a single employer with the Company under Section 414(b) or (c) of the Internal Revenue Code (but substituting 50% for 80% in the application thereof) (the "Employer Group"), or (ii) the level of bona fide services Executive will perform for the Employer Group after that date will

permanently decrease to less than 20% of the average level of bona fide services performed over the previous 36 months (or if shorter over the duration of service). For this purpose, service performed as an employee or as an independent contractor is counted, except that service as a member of the board of directors of an Employer Group entity is not counted unless termination benefits under this Employment Agreement are aggregated with benefits under any other Employer Group plan or agreement in which Executive also participates as a director. Executive will not be treated as having a termination of his employment while he is on military leave, sick leave or other bona fide leave of absence if the leave does not exceed six months or, if longer, the period during which Executive has a reemployment right under statute or contract. If a bona fide leave of absence extends beyond six months, Executive's employment will be considered to terminate on the first day after the end of such six month period, or on the day after Executive's statutory or contractual reemployment right lapses, if later. The Company will determine when Executive's Termination Date occurs based on all relevant facts and circumstances, in accordance with Treasury Regulation Section 1.409A-1(h).

10. *Payments upon Termination of Employment.*

- (a) If Executive's employment with the Company is terminated by reason of:
 - (i) Executive's abandonment of his employment or Executive's resignation for any reason (whether or not such resignation is set forth in writing or otherwise communicated to the Company);
 - (ii) termination of Executive's employment by the Company for Cause (as defined below); or
 - (iii) termination of Executive's employment by the Company without Cause following expiration of the Term;

the Company shall pay to Executive his then-current base salary through the Termination Date.

(b) Except in the case of a Change in Control, which is governed by Section 10(c) below, if Executive's employment with the Company is terminated by the Company pursuant to Section 9(a)(i) effective prior to the expiration of the Term for any reason other than for Cause (as defined below), then the Company shall pay to Executive, subject to Section 10(h) of this Agreement:

- (i) his then-current base salary through the Termination Date;
- (ii) any earned and unpaid annual Incentive Bonus for the fiscal year immediately preceding the Termination Date and any annual Incentive Bonus earned on a prorated basis through the Termination Date, payable after the actual amount of

Incentive Bonus is calculated but not later than the date that is 2 ½ months following the last day of the applicable fiscal year;

- (iii) the amount of his then current base salary that Executive would have received from the Termination Date through the date that is 180 days following such Termination Date; and
- (iv) \$62,500.00 with respect to the first year of the Term; \$87,500.00 with respect to the second year of the Term; and \$100,000.00 with respect to the third year of the Term.

Any amount payable to Executive pursuant to Section 10(b)(iii) shall be subject to deductions and withholdings and shall be paid to Executive by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law; provided, however, that at the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(b)(iii) may be paid in a lump sum. Any amount payable to Executive pursuant to Section 10(b)(ii) shall be paid to Executive by the Company in the same manner and at the same time that Incentive Bonus payments are made to current named executive officers of Texas Roadhouse, Inc., as that term is applied by Texas Roadhouse, Inc. in accordance with the rules and regulations of the U.S. Securities and Exchange Commission (the "Named Executive Officers"), but no earlier than the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law. Any amount payable to Executive pursuant to Section 10(b)(iv) shall be paid in a lump sum.

(c) If Executive's employment is terminated by the Company without Cause following a Change in Control as defined in this Agreement and before the end of the Term of this Agreement, or if Executive's employment is terminated by Executive for Good Reason following a Change in Control and before the end of the Term, then the Company shall pay to Executive, subject to Executive's compliance with Section 10(h) of this Agreement, an amount equal to his then current base salary and incentive bonus through the end of Term of the Agreement, paid in the same periodic installments in accordance with the Company's regular payroll practices following the expiration of all applicable rescission periods provided by law, but in no event will the Company pay Executive less than one year of his current base salary and incentive bonus. At the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(c) may be paid in a lump sum.

(d) If Executive's employment with the Company is terminated effective prior to the expiration of the Term by reason of Executive's death or Disability, the Company shall pay to Executive or his beneficiary or his estate, as the case may be;

- (i) his then-current base salary through the Termination Date;

- (ii) any earned and unpaid annual Incentive Bonus for the fiscal year immediately preceding the Termination Date and any annual Incentive Bonus earned on a prorated basis through the Termination Date, payable after the actual amount of Incentive Bonus is calculated but not later than the date that is 2 ½ months following the last day of the applicable fiscal year;
- (iii) the amount of his then current base salary that Executive would have received from the Termination Date through the date that is 180 days following such Termination Date; and
- (iv) \$62,500.00 with respect to the first year of the Term; \$87,500.00 with respect to the second year of the Term; and \$100,000.00 with respect to the third year of the Term.

Any amount payable to Executive pursuant to Section 10(d)(iii) shall be subject to deductions and withholdings and shall be paid to Executive or his estate or beneficiary by the Company in the same periodic installments in accordance with the Company's regular payroll practices commencing on the first normal payroll date of the Company following the expiration of all applicable rescission periods provided by law; provided, however, that at the option of the Compensation Committee and if in compliance with Code Section 409A, amounts payable pursuant to Section 10(d)(iii) may be paid in a lump sum. Any amount payable to Executive or his estate or beneficiary pursuant to Section 10(d)(ii) shall be paid to Executive or his estate or beneficiary by the Company in the same manner and at the same time that Incentive Bonus payments are made to current Named Executive Officers, but no earlier than the first normal payroll date of the Company. Any amount payable to Executive or his estate or beneficiary pursuant to Section 10(d)(iv) shall be paid in a lump sum on the first normal payroll date of the Company following the date that the applicable rescission period is deemed to expire as set forth in subparagraph 10(h).

(e) "Cause" hereunder shall mean:

- (i) an act or acts of dishonesty undertaken by Executive and intended to result in substantial gain or personal enrichment of Executive at the expense of the Company;
- (ii) unlawful conduct or gross misconduct that is willful and deliberate on Executive's part and that, in either event, is materially injurious to the Company;
- (iii) the conviction of Executive of a felony;
- (iv) material and deliberate failure of Executive to perform his duties and responsibilities hereunder or to satisfy his obligations as an officer or employee of the Company, which failure has not been cured by Executive within ten days after written notice thereof to Executive from the Company; or

- (v) material breach of any terms and conditions of this Agreement by Executive not caused by the Company, which breach has not been cured by Executive within ten days after written notice thereof to Executive from the Company.

(f) “Disability” hereunder shall mean the inability of Executive to perform on a full-time basis the duties and responsibilities of his employment with the Company by reason of his illness or other physical or mental impairment or condition, if such inability continues for an uninterrupted period of 45 days or more during any 360-day period. A period of inability shall be “uninterrupted” unless and until Executive returns to full-time work for a continuous period of at least 30 days.

(g) In the event of termination of Executive’s employment, the sole obligation of the Company hereunder shall be its obligation to make the payments called for by Sections 10(a), 10(b), 10(c) or 10(d) hereof, as the case may be, and the Company shall have no other obligation to Executive or to his beneficiary or his estate, except as otherwise provided by law.

(h) Notwithstanding any other provision hereof, the Company shall not be obligated to make any payments under Section 10(b)(ii) or (iii) or 10(c) of this Agreement unless Executive has signed a full release of claims against the Company, in a form and scope to be prescribed by the Board, all applicable consideration periods and rescission periods provided by law shall have expired, and Executive is in strict compliance with the terms of this Agreement as of the dates of the payments. Executive must execute and deliver such release to the Company no later than the date specified by the Company and in no event later than 50 days following Executive’s Termination Date, and the release will be delivered by the Company to Executive at least 21 days (45 days where Executive is required to be given 45 days to review and consider the release) before the deadline set for its return. For purposes of this Agreement and the determination of the date on which payments or benefits will commence, the applicable rescission period of a release shall be deemed to expire on the 60th day following Executive’s termination of employment unless payment may be made based on an earlier rescission expiration date in compliance with Code Section 409A.

11. *Return of Property.* Upon termination of Executive’s employment with the Company, Executive shall deliver promptly to the Company all records, files, manuals, books, forms, documents, letters, memoranda, data, customer lists, tables, photographs, video tapes, audio tapes, computer disks and other computer storage media, and copies thereof, that are the property of the Company, or that relate in any way to the business, products, services, personnel, customers, prospective customers, suppliers, practices, or techniques of the Company, and all other property of the Company (such as, for example,

computers, pagers, credit cards, and keys), whether or not containing Confidential Information, that are in Executive's possession or under Executive's control.

12. *Remedies.* Executive acknowledges that it would be difficult to fully compensate the Company for monetary damages resulting from any breach by him of the provisions of Sections 6, 7, 8, and 11 hereof. Accordingly, in the event of any actual or threatened breach of any such provisions, the Company shall, in addition to any other remedies it may have, be entitled to injunctive and other equitable relief to enforce such provisions, and such relief may be granted without the necessity of proving actual monetary damages.

13. *Miscellaneous.*

(a) *Governing Law.* This Agreement shall be governed by, subject to, and construed in accordance with the laws of the Commonwealth of Kentucky without regard to conflict of law principles. Any action relating to this Agreement shall only be brought in a court of competent jurisdiction in the Commonwealth of Kentucky, and the parties consent to the jurisdiction, venue and convenience of such courts.

(b) *Jurisdiction and Law.* Executive and the Company consent to jurisdiction of the courts of the Commonwealth of Kentucky and/or the federal district courts, Western District of Kentucky, for the purpose of resolving all issues of law, equity, or fact, arising out of or in connection with this Agreement. Any action involving claims of a breach of this Agreement shall be brought in such courts. Each party consents to personal jurisdiction over such party in the state and/or federal courts of Kentucky and hereby waives any defense of lack of personal jurisdiction or *forum non conveniens*. Venue, for the purpose of all such suits, shall be in Jefferson County, Commonwealth of Kentucky.

(c) *Entire Agreement.* Except for any written stock option or stock award agreement and related agreements between Executive and the Company, this Agreement contains the entire agreement of the parties relating to Executive's employment with the Company and supersedes all prior agreements and understandings with respect to such subject matter, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement that are not set forth herein.

(d) *No Violation of Other Agreements.* Executive hereby represents and agrees that neither (i) Executive's entering into this Agreement, (ii) Executive's employment with the Company, nor (iii) Executive's carrying out the provisions of this Agreement, will violate any other agreement (oral, written or other) to which Executive is a party or by which Executive is bound.

(e) *Amendments.* No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by the parties hereto.

(f) *No Waiver.* No term or condition of this Agreement shall be deemed to have been waived, except by a statement in writing signed by the party against whom enforcement of the waiver is sought. Any written waiver shall not be deemed a continuing

waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

(g) *Assignment.* This Agreement shall not be assignable, in whole or in part, by either party without the prior written consent of the other party, except that the Company may, without the consent of Executive, assign its rights and obligations under this Agreement (i) to any entity with which the Company may merge or consolidate, or (ii) to any corporation or other person or business entity to which the Company may sell or transfer all or substantially all of its assets. Upon Executive's written request, the Company will seek to have any Successor by agreement assent to the fulfillment by the Company of its obligations under this Agreement. After any assignment by the Company pursuant to this Section 13(g), the Company shall be discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the "Company" for purposes of all terms and conditions of this Agreement, including this Section 13.

(h) *Counterparts.* This Agreement may be executed in any number of counterparts, and such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(i) *Severability.* Subject to Section 7(f) hereof, to the extent that any portion of any provision of this Agreement shall be invalid or unenforceable, it shall be considered deleted herefrom and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect.

(j) *Survival.* The terms and conditions set forth in Sections 4(g), 5, 6, 7, 8, 9, 10, 11, 12, and 13 of this Agreement, and any other provision that continues by its terms, shall survive expiration of the Term or termination of Executive's employment for any reason.

(k) *Captions and Headings.* The captions and paragraph headings used in this Agreement are for convenience of reference only and shall not affect the construction or interpretation of this Agreement or any of the provisions hereof.

(l) *Notices.* Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and either delivered in person or sent by first class certified or registered mail, postage prepaid, if to the Company, at the Company's principal place of business, and if to Executive, at his home address most recently filed with the Company, or to such other address or addresses as either party shall have designated in writing to the other party hereto.

(m) *Six Month Delay.* Notwithstanding anything herein to the contrary, if Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) (or any successor thereto) on his Termination Date, any payments hereunder that are triggered by termination of employment and which are not exempt as separation pay under Treasury Regulation Section 1.409A-1(b)(9) or as short-term deferral pay, shall

not begin to be paid until six months after his Termination Date, and at that time, Executive will receive in one lump sum payment of all the payments that would have otherwise been paid to Executive during the first six months following Executive's Termination Date. The Company shall determine, consistent with any guidance issued under Code Section 409A, the portion of payments that are required to be delayed, if any.

(n) *409A Compliance.* Executive and the Company agree and confirm that this Employment Agreement is intended by both parties to provide for compensation that is exempt from Code Section 409A as separation pay (up to the Code Section 409A limit) or as a short-term deferral, and to be compliant with Code Section 409A with respect to additional severance compensation and bonus compensation. This Agreement shall be interpreted, construed, and administered in accordance with this agreed intent, provided that the Company does not promise or warrant any tax treatment of compensation hereunder. Executive is responsible for obtaining advice regarding all questions to federal, state, or local income, estate, payroll, or other tax consequences arising from participation herein. This Agreement shall not be amended or terminated in a manner that would accelerate or delay payment of severance pay or bonus pay except as permitted under Treasury Regulations under Code Section 409A.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement on this 11th day of February, 2016.

TEXAS ROADHOUSE MANAGEMENT CORP.

By: /s/ Celia Catlett
Printed Name: Celia Catlett
Title: General Counsel

S. CHRIS JACOBSEN

/s/ S. Chris Jacobsen

**TEXAS ROADHOUSE, INC.
2013 LONG-TERM INCENTIVE PLAN
NON-QUALIFIED STOCK OPTION AGREEMENT**

Unless otherwise defined herein, the terms defined in the Texas Roadhouse, Inc. 2013 Long-Term Incentive Plan (the "Plan") will have the same defined meanings in this Non-Qualified Stock Option Agreement (the "Agreement").

I. NOTICE OF GRANT OF NON-QUALIFIED STOCK OPTION

Pursuant to the Plan, the Grantee has been granted a Non-Qualified Stock Option (referred to herein as the "Option") which represent the right to receive shares of Common Stock (the "Shares") upon exercise of the Option, subject to satisfaction of the vesting provisions and other terms and conditions set forth in this Agreement, the Grant Notice (attached as Exhibit A hereto, which is incorporated into, and forms a part of, this Agreement) and the Plan. This Agreement is in all respects governed by the Plan and subject to all of the terms and provisions thereof, whether such terms and provisions are incorporated in this Agreement by reference or are expressly cited.

II. AGREEMENT

1. Grant of Option. The Company hereby grants to the Grantee, and the Grantee hereby accepts the grant of subject to the terms set out herein, the conditional right and option to purchase (XXX) Shares at an Exercise Price per Share of \$ _____ (the "Exercise Price"), which was the Fair Market Value of a Share on the Date of Grant (as set forth in the Grant Notice).

2. Vesting and Exercisability.

- (a) Subject to the terms and conditions of this Agreement, on each Vesting Date (as set forth in the Grant Notice) the Option shall become vested and exercisable with respect to the number of Shares determined in accordance with the vesting provisions set forth in the Grant Notice, provided that the Grantee's Continuous Service has not terminated as of the applicable Vesting Date. Except as otherwise provided by the Committee or this Agreement, any portion of the Option that is not vested and exercisable as of the Grantee's Termination Date shall be immediately forfeited and the Grantee shall have no further rights with respect thereto.
 - (b) The Grantee may only exercise the Option with respect to Shares to the extent the Option is vested with respect to such Shares. In no event shall any portion of the Option be exercisable after the Expiration Date. Notwithstanding any other provision of this Agreement, no portion of the Option shall be exercisable after the Grantee's Termination Date except to the extent that it is exercisable as of the Grantee's Termination Date.
 - (c) Notwithstanding the provisions of paragraph (a), in the event the Grantee's Continuous Service terminates because of death or Disability prior to a Vesting Date, then (i) the Option shall become immediately vested and exercisable upon the termination of Continuous Service in an amount equal to the total number of Shares subject to the Option multiplied by a fraction equal to each calendar month or portion thereof from the Date of Grant to the termination of Continuous Service divided by the total number of calendar months or portion thereof in the vesting period of the Option as of the Date of Grant, and (ii) the date of termination of Continuous Service shall be a "Vesting Date".
 - (d) Notwithstanding the provisions of paragraph (a), if a Change of Control (as defined below) occurs prior to the Vesting Date and the Grantee's Continuous Service is terminated by the Company without Cause (as defined in the 2015 Employment Agreement between the Grantee and the Company), or if the Grantee's Continuous Service is terminated by the Grantee for Good Reason (as defined in the 2015 Employment Agreement between the Grantee and Company) within 12 months following a Change in Control, or prior to a Change of Control at the direction of a person
-

who has entered into an agreement with the Company, the consummation of which will constitute a Change of Control, and, in either case, contingent upon the Grantee's execution of a full release of claims (the "Release") in the manner set forth in the 2015 Employment Agreement between the Grantee and Company, then the Option, to the extent then outstanding, shall be fully vested with respect to all Shares subject thereto upon the date that the release becomes effective and such date shall be a Vesting Date. Notwithstanding the Plan, for purposes of this Agreement the term "Change of Control" shall have the meaning set forth in the 2015 Employment Agreement between the Grantee and the Company.

- (e) Once exercisable and until terminated or expired, all or a portion of the exercisable Option may be exercised from time to time and at any time under procedures set forth herein or that the Committee shall otherwise establish from time to time, including, without limitation, procedures regarding the frequency of exercise and the minimum number of Shares which may be exercised at any time. The Option may not be exercised with respect to fractional Shares and no fractional Shares shall be purchasable or deliverable hereunder.

3. Expiration. Unless otherwise determined by the Committee in its sole discretion, the Option shall expire and shall no longer be exercisable after the earliest to occur of the ten year anniversary of the Date of Grant or the Expiration Date (determined in accordance with the Plan).

4. Manner of Exercise. The Grantee (or, in the event of his death, his estate or personal representative) may exercise any portion of the Option that is then exercisable by taking all of the following actions:

- (a) The Grantee shall provide written notice of exercise to the Committee or its designee, in such form as the Committee may require, designating, among other things, the date of exercise and the number of Shares to be purchased upon exercise.
- (b) The Grantee shall pay the Exercise Price, to the extent permitted by applicable statutes and regulations, either at the time the Option is exercised (except that, in the case of an exercise through the use of cash equivalents, payment may be made as soon as practicable after exercise) by any of the following forms (i) cash or cash equivalents, (ii) tender to the Company, by actual delivery or by attestation (including by way of a net exercise), Shares having a Fair Market Value on the date of exercise equal to such aggregate Exercise Price; provided however, that the Shares that are tendered (other than those used for a net exercise) must have been held by the Grantee for at least six (6) months prior to their tender to satisfy the Exercise Price or must have been purchased on the open market; iii) in any other form of legal consideration that may be acceptable to the Committee, or (iv) any combination thereof as determined by the Committee; provided, however, that Shares may not be used to pay any portion of the Exercise Price unless the holder thereof has good title, free and clear of all liens and encumbrances.
- (c) The Grantee shall provide any other documentation that the Committee may require.

As promptly as practicable after receipt of all items described in this Section 4 and exercise of the Option, the Company shall issue (in book entry or such other form as determined by the Company) Shares purchased by the Grantee (and not sold or used for a net exercise or withheld as contemplated by Section 7) upon exercise of all or any applicable portion of the Option.

5. Transferability. The Option is not transferable except as designated by the Grantee by will or by the laws of descent and distribution. To the extent that a Grantee has the right to exercise the Option, the Option may be exercised during the lifetime of the Grantee only by the Grantee.

6. Adjustments. Subject to the terms hereof, in the event of a stock dividend, stock split, reverse stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, exchange of shares, sale of assets or subsidiaries, combination, or other corporate transaction that affects the Common Stock such that the Committee determines, in its sole discretion, that an adjustment is warranted in order to preserve the

benefits or prevent the enlargement of benefits of Awards under the Plan (including this Option), the Committee shall, in the manner it determines equitable in its sole discretion, adjust the number and kind of shares subject to this Award and shall make any other adjustments that the Committee determines to be equitable.

7. Withholding. The Option is subject to withholding of all applicable taxes. The Grantee may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Shares under the Option by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Grantee by the Company) or by a combination of such means: (a) tendering a cash payment; (b) authorizing the Company to withhold Shares from the Shares otherwise issuable to the Grantee as a result of the exercise or acquisition of Shares under the Option; provided, however, that no Shares are withheld with a value exceeding the minimum amount of tax required to be withheld by law (or such lesser amount as may be necessary to avoid variable accounting); or (c) delivering to the Company owned and unencumbered Shares. For purposes of tax withholding, the fair market value of the Shares will be determined at the time the withholding is required.

8. No Guarantee of Continuous Service. THE GRANTEE ACKNOWLEDGES AND AGREES THAT VESTING OF THE OPTION IS EARNED ONLY BY CONTINUOUS SERVICE AT THE WILL OF THE COMPANY. GRANTEE FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH IN THE GRANT NOTICE DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED EMPLOYMENT OR SERVICE FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE WITH GRANTEE'S RIGHT OR THE COMPANY'S RIGHT TO TERMINATE GRANTEE'S EMPLOYMENT OR SERVICE AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Notices. Any notice, demand or request required or permitted to be given by either the Company or the Grantee pursuant to the terms of this Agreement will be in writing and will be deemed given when delivered or when delivery is refused. Notices shall be either personally delivered, sent by overnight delivery via a reputable carrier or mailed through the United States Postal Service, registered or certified with return receipt requested with postage prepaid, and addressed to the parties at the addresses of the parties set forth at the end of this Agreement or such other address as a party may request by notifying the other in writing. Notwithstanding the foregoing, Grant Notices may be delivered electronically.

10. No Waiver. Either party's failure to enforce any provision or provisions of this Agreement will not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Agreement. The rights granted both parties herein are cumulative and will not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

11. Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement will inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Agreement will be binding upon the Grantee and his or her heirs, executors, administrators, successors and assigns.

12. Interpretation. Any dispute regarding the interpretation of this Agreement will be submitted by the Grantee or by the Company forthwith to the Committee which will review such dispute at its next regular meeting. The resolution of such a dispute by the Committee will be final and binding on all parties.

13. Governing Law; Severability. This Agreement is governed by the internal substantive laws, but not the choice of law rules, of the Commonwealth of Kentucky. If a provision of this Agreement is held invalid by a court of competent jurisdiction, the remaining provisions will nonetheless be enforceable according to their terms. Further, if any provision is held to be overbroad as written, that provision shall be amended to narrow its application to the extent necessary to make the provision enforceable according to applicable law and enforced as amended.

14. Right to Withhold Amounts Owed to the Company. The Company shall have the right to withhold Shares otherwise deliverable to the Grantee with a fair market value equal to all amounts then due and owing by the Grantee to the Company or any subsidiary or affiliate of the Company.

15. Entire Agreement. The Plan is incorporated herein by reference. This Agreement, the Grant Notice, the Plan and all employment agreements entered into between the Grantee and the Company (including any amendments thereto) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and the Grantee with respect to the subject matter hereof, and may not be modified adversely to the Grantee's interest except by means of a writing signed by the Company and the Grantee.

16. Application to all Grant Notices and Awards. The Grantee agrees and acknowledges that all Awards granted to the Grantee from time to time under the Plan will be subject to the terms and conditions of the applicable Award Agreement, the Plan and each Grant Notice received by the Grantee from time to time, whether such Grant Notice is transmitted via electronic transmission or otherwise.

[Signatures Follow]

IN WITNESS WHEREOF, the parties have subscribed their names hereto. By the Grantee's signature below, the Grantee represents that he or she is familiar with the terms and provisions of the Plan, and hereby accepts this Agreement subject to all of the terms and provisions thereof. The Grantee has reviewed the Plan and this Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Agreement and fully understands all provisions of this Agreement.

TEXAS ROADHOUSE, INC.

Dated: _____

By: _____

Name: _____

Title: _____

Address for Notices:

Attention: General Counsel

6040 Dutchmans Lane

Louisville, Kentucky 40205

GRANTEE:

Dated: _____

By: _____

[grantee name here]

SSN: _____

Address:

EXHIBIT A

GRANT NOTICE

TEXAS ROADHOUSE, INC.

**NON-QUALIFIED STOCK OPTION GRANT NOTICE
(2013 LONG-TERM INCENTIVE PLAN)**

TEXAS ROADHOUSE, INC. (the "Company"), pursuant to its 2013 Long-Term Incentive Plan (the "Plan"), hereby grants to the Grantee a Non-Qualified Stock Option with terms set forth below. This grant is subject to all of the terms and conditions as set forth herein and in the Non-Qualified Stock Option Agreement (the "Agreement") and the Plan, which the Grantee has previously received and are incorporated herein in their entirety.

Grantee: _____
Date of Grant: _____
Vesting Date(s): _____
Number of Shares Subject
to Option: _____

ADDITIONAL TERMS/ACKNOWLEDGEMENTS: By receipt hereof, the Grantee acknowledges receipt of, and understands and agrees to, this Non-Qualified Stock Option Notice (the "Grant Notice"), the Agreement and the Plan. The Grantee further acknowledges that as of the Date of Grant, this Grant Notice, the Agreement, the Plan and all employment agreements entered into between the Grantee and the Company (including any amendments thereto) set forth the entire understanding between the Grantee and the Company regarding this Option supersede all prior oral and written agreements on that subject.

**Schedule of the Owners of Company-Managed Texas Roadhouse Restaurants and the
Interests Held by Directors, Executive Officers and 5% Stockholders Who Are Parties to
Limited Partnership Agreements and Operating Agreements**

As of December 29, 2015

<u>Entity Name</u>	<u>Restaurant Location</u>	<u>Percentage of Holdings' Interest</u>	<u>Actual Management Fee Charged</u>	<u>Percentage Owned by Executive Officers, Directors & 5% Stockholders</u>
Texas Roadhouse of Billings, LLC	Billings, MT	5 %	0.5 %	29.5 %
Roadhouse of Bossier City, LLC	Bossier City, LA	5 %	0.5 %	0 %
Texas Roadhouse of Brownsville, Ltd.	Brownsville, TX	4.99 %	0.5 %	0 %
Texas Roadhouse of Everett, LLC	Everett, MA	5 %	0.5 %	28.75 %
Roadhouse of Fargo, LLC	Fargo, ND	5.05 %	0.5 %	5.05 %
Roadhouse of Longmont, LLC	Longmont, CO	5 %	0.5 %	0 %
Roadhouse of McKinney, Ltd.	McKinney, TX	5 %	0.5 %	2.0 %
Green Brothers Dining, Inc.	Melbourne, FL	0 %	2 %	17.0 %
Hoosier Roadhouse, LLC	Muncie, IN	0 %	0 %	4.91 %
Roadhouse of Omaha, LLC	Omaha, NE	5.49 %	0.5 %	10.99 %
Texas Roadhouse of Port Arthur, Ltd.	Port Arthur, TX	5 %	0.5 %	18.0 %
Roadhouse of Temple, Ltd.	Temple, TX	5 %	0.5 %	0 %
Roadhouse of Wichita, LLC	Wichita, KS	5 %	0.5 %	28.05 %

Schedule of the Directors, Executive Officers and 5% Stockholders which have entered into License Agreements, Franchise Agreements or Preliminary Agreements for a Texas Roadhouse Restaurant

As of December 29, 2015

	<u>Name and Ownership</u>	<u>Prelim. Agt. Signed</u>	<u>Fran. or Lic. Agt. Signed</u>	<u>Franchise Fee</u>	<u>Royalty Rate</u>
BILLINGS, MT TEXAS ROADHOUSE OF BILLINGS, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (27.5%) Scott M. Colosi (2.0%)	3/1/2002	7/7/2014	\$ 0	3.5 %
BOSSIER CITY, LA ROADHOUSE OF BOSSIER CITY, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Steven L. Ortiz (66.0%)	3/19/2004	12/1/2004	\$ 0	3.5 %
BROWNSVILLE, TX TEXAS ROADHOUSE OF BROWNSVILLE, LTD. 6040 DUTCHMANS LANE, SUITE 200 LOUISVILLE, KY 40205	Steven L. Ortiz (30.61%)	5/14/2002	9/22/2014	\$ 0	3.5 %
EVERETT, MA TEXAS ROADHOUSE OF EVERETT, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (28.75%)	2/15/2002	5/21/2014	\$ 0	3.5 %
FARGO, ND (1) ROADHOUSE OF FARGO, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Scott M. Colosi (5.05%)	1/30/2006	8/25/2006	\$ 0	3.5 %
FARMINGTON, NM (2) ROADHOUSE OF FARMINGTON, NM, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (95.0%)	3/19/2004		\$ 0	3.5 %
LEXINGTON, KY MAN O'WAR RESTAURANTS, INC. 300 WEST VINE, SUITE 2200 LEXINGTON, KY 40507	W. Kent Taylor (5.0%)	N/A	9/26/1994 (lic) 8/13/2012 (fran)	\$ 0	2.0 %
LONGMONT, CO ROADHOUSE OF LONGMONT, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Steven L. Ortiz (50.5%)	12/19/2003	11/25/2014	\$ 0	3.5 %
MCKINNEY, TX ROADHOUSE OF MCKINNEY, LTD. 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Steven L. Ortiz (30.0%) Scott M. Colosi (2.0%)	3/16/2004	9/16/2014	\$ 0	3.5 %
MELBOURNE, FL(3) GREEN BROTHERS DINING, INC. 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (17.0%)	N/A	Unknown (lic) 8/13/2012 (fran)	\$ 0	0 %
MUNCIE, IN HOOSIER ROADHOUSE, LLC 2131 MELODY LANE ANDERSON, IN 46012	W. Kent Taylor (4.91%)	N/A	5/29/1996 (lic) 4/11/2013 (fran)	\$ 0	\$ 50,000 /yr
OMAHA, NE ROADHOUSE OF OMAHA, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Scott M. Colosi (10.99%)	3/19/2004	3/8/2005	\$ 0	3.5 %
PORT ARTHUR, TX TEXAS ROADHOUSE OF PORT ARTHUR, LTD. 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (15.0%) Scott M. Colosi (3.0%)	12/15/2003	9/2/2014	\$ 0	3.5 %
TEMPLE, TX ROADHOUSE OF TEMPLE, LTD. 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	Steven L. Ortiz (78.0%)	3/19/2004	3/11/2005	\$ 0	3.5 %
WICHITA, KS ROADHOUSE OF WICHITA, LLC 6040 DUTCHMANS LANE LOUISVILLE, KY 40205	W. Kent Taylor (24.05%) Scott M. Colosi (4.0%)	3/17/2004	1/3/2015	\$ 0	3.5 %

(1) Franchise rights under Preliminary Agreement dated 4/27/2004 with Roadhouse of Louisiana, LLC were transferred to this location.

(2) Franchise rights under this Preliminary Agreement are to be transferred to a location not yet identified.

(3) Restaurant opened in September 1996. In lieu of royalties, the entity pays management fees.

SUBSIDIARIES OF THE COMPANY
(as of December 29, 2015)

I. SUBSIDIARIES WHOLLY-OWNED BY TEXAS ROADHOUSE, INC.

NAME OF ENTITY	FORM OF ENTITY
Strategic Restaurant Concepts, LLC	Kentucky limited liability company
Armadillo, Inc.	Colorado corporation
Roadhouse-Creek of NJ, LLC	Kentucky limited liability company
Texas Roadhouse Development Corporation	Kentucky corporation
Texas Roadhouse Holdings LLC	Kentucky limited liability company
Texas Roadhouse International, LLC	Nevada limited liability company
Texas Roadhouse Management Corp.	Kentucky corporation

II. INDIRECTLY WHOLLY-OWNED SUBSIDIARIES

NAME OF ENTITY	FORM OF ENTITY
Roadhouse Enterprises, Inc.	Texas Corporation
Texas Roadhouse Delaware LLC	Delaware limited liability company
Texas Roadhouse of Kansas, LLC	Kansas limited liability company
Texas Roadhouse of Reno, NV, LLC	Nevada limited liability company
Texas Roadhouse of Vermont, LLC	Vermont limited liability company
TRDC International, LLC	Nevada limited liability company
Texas Roadhouse International Services, LLC	Kentucky limited liability company
Roadhouse Private Beverage Club of Pelham, Inc.	Alabama Corporation
Texas Roadhouse of Vermont Intermediate Holdings	Vermont limited liability company
Texas Roadhouse Administrative Services, LLC	Kentucky limited liability company
SRC Beverage Corp.	Texas Corporation
Texas Roadhouse of Baltimore County, MD	Kentucky limited liability company
SRC Beverages of Kansas, LLC	Kansas limited liability company

III. PARTIALLY-OWNED SUBSIDIARIES

NAME OF ENTITY	FORM OF ENTITY
Texas Roadhouse of Austin-North, Ltd.	Kentucky limited partnership
Texas Roadhouse of Austin, Ltd.	Kentucky limited partnership
Texas Roadhouse of Baytown, TX, LLC	Kentucky limited liability company
Texas Roadhouse of Corona, CA LLC	Kentucky limited liability company
Texas Roadhouse of Fort Myers, FL, LLC	Kentucky limited liability company
Texas Roadhouse of Gilbert, AZ, LLC	Kentucky limited liability company
Texas Roadhouse of Hendersonville, de Novo, LLC	Kentucky limited liability company

Texas Roadhouse of Huber Heights, LLC	Kentucky limited liability company
Texas Roadhouse of Jacksonville, NC, LLC	Kentucky limited liability company
Texas Roadhouse of Lancaster OH, LLC	Kentucky limited liability company
Texas Roadhouse of Lexington, KY, II, LLC	Kentucky limited liability company
Texas Roadhouse of Mansfield, Ltd.	Kentucky limited partnership
Texas Roadhouse of Menifee, CA, LLC	Kentucky limited liability company
Texas Roadhouse of Parker, LLC	Kentucky limited liability company
Texas Roadhouse of Stillwater, OK, LLC	Kentucky limited liability company
Texas Roadhouse of Warwick, LLC	Kentucky limited liability company

Majority-Owned Subsidiaries

Texas Roadhouse of Austin-North, Ltd.
 Texas Roadhouse of Austin, Ltd.
 Texas Roadhouse of Baytown, TX, LLC
 Texas Roadhouse of Fort Myers, FL, LLC
 Texas Roadhouse of Gilbert, AZ, LLC
 Texas Roadhouse of Hendersonville, de Novo, LLC
 Texas Roadhouse of Huber Heights, LLC
 Texas Roadhouse of Jacksonville, NC, LLC
 Texas Roadhouse of Lancaster OH, LLC
 Texas Roadhouse of Lexington, KY, II, LLC
 Texas Roadhouse of Mansfield, Ltd.
 Texas Roadhouse of Menifee, CA, LLC
 Texas Roadhouse of Parker, LLC
 Texas Roadhouse of Stillwater, OK, LLC
 Texas Roadhouse of Warwick, LLC
 Texas Roadhouse of Corona, CA, LLC

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Texas Roadhouse, Inc.:

We consent to the incorporation by reference in the registration statements (Nos. 333-121241 and 333-188683) on Form S-8 of Texas Roadhouse, Inc. of our reports dated February 26, 2016, with respect to the consolidated balance sheets of Texas Roadhouse, Inc. and subsidiaries as of December 29, 2015 and December 30, 2014, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 29, 2015, and the effectiveness of internal control over financial reporting as of December 29, 2015, which reports appear in the December 29, 2015 annual report on Form 10-K of Texas Roadhouse, Inc.

/s/ KPMG LLP

Louisville, Kentucky
February 26, 2016

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT**

I, W. Kent Taylor, certify that:

1. I have reviewed this report on Form 10-K of Texas Roadhouse, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2016

By: /s/ W. Kent Taylor
W. Kent Taylor
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT**

I, Scott M. Colosi, certify that:

1. I have reviewed this report on Form 10-K of Texas Roadhouse, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2016

By: /s/ Scott M. Colosi
Scott M. Colosi
President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350**

I, W. Kent Taylor, Chief Executive Officer of Texas Roadhouse, Inc. (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) The Annual Report on Form 10-K of the Company for the fiscal year ended December 29, 2015 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2016

By: /s/ W. Kent Taylor
W. Kent Taylor
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350E**

I, Scott M. Colosi, Chief Financial Officer of Texas Roadhouse, Inc. (the “Company”), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

- (1) The Annual Report on Form 10-K of the Company for the fiscal year ended December 29, 2015 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2016

By: /s/ Scott M. Colosi
Scott M. Colosi
President and Chief Financial Officer
